

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Charter Township of Delta	County Eaton
Audit Date 12/31/04	Opinion Date 3/11/05	Date Accountant Report Submitted to State	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95)

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

Maner, Costerisan, & Ellis, P.C.

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City

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MI

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Accountant Signature

Samuel A. Costerisan, CPA

Date

6/6/05

CHARTER TOWNSHIP OF DELTA
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED DECEMBER 31, 2004

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Charter Township of Delta
State of Michigan

March 11, 2005

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Charter Township of Delta, State of Michigan as of and for the year ended December 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Delta's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Delta, State of Michigan as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Trustees
Charter Township of Delta
State of Michigan

March 11, 2005

The management's discussion and analysis budgetary comparison information and pension plan funding project information on pages viii through xxi and 36 through 39, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Delta's basic financial statements. The combining and individual fund financial statements and other additional information presented in pages 40 through 71 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and other additional information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Maner, Costerian & Ellis, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Charter Township of Delta (Township), we offer readers of the Charter Township of Delta's financial statements this narrative overview and analysis of the financial activities of the Charter Township of Delta for the fiscal year ended December 31, 2004.

FINANCIAL HIGHLIGHTS

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$90.8 million dollars (net assets). Of this amount, \$32.3 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$2.3 million dollars.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$15.4 million, an increase of \$126 thousand in comparison with the prior year. Approximately \$9.4 million is available for spending.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$6.7 million, or 50 percent of total general fund expenditures.
- The Township's total liabilities decreased \$1.6 million. The key factor in this decrease was the paying down of debt based on the maturity schedules.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary and additional information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., delinquent personal property taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, economic development, and culture and recreation. The business-type activities of the Township include water and sewer activity.

The government-wide financial statements include not only the Township itself (known as the *primary government*), but also the legally separate Economic Development Corporation (EDC) for which the Township is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself. The Township also has established the Brownfield Redevelopment Authority. Had there been activity or balances, it would also be reported as a discreetly presented component unit. The District Library of Delta, although legally separate, functions for all practical purposes as a department of the Township, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 1 and 2 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital projects fund, both of which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Township adopts an annual appropriated budget for its general fund and special revenue funds. Budgetary comparison statements have been provided for the general fund in the required supplementary information and for the special revenue funds in the additional information to demonstrate compliance with budgets.

The basic governmental fund financial statements can be found on pages 3 through 5 of this report.

Proprietary funds. The Township maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its water and sewer activity. The Township does not utilize an internal service fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer funds, both of which are considered to be major funds of the Township.

The basic proprietary fund financial statements can be found on pages 6 through 9 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 10 and 11 of this report.

Notes to the financial statements. The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12 through 34 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Township's progress in funding its obligation to provide pension benefits to its employees and the general fund budget. Required supplementary information can be found on page 35 through 38 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 39 through 70 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the Township, assets exceeded liabilities by \$90.8 million at the close of the most recent fiscal year.

By far the largest portion of the Township's net assets (58 percent) reflects its investment in capital assets (e.g., land, building, machinery, infrastructure, and equipment), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Charter Township of Delta's Net Assets

	Governmental activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 24,272,074	\$ 23,979,756	\$ 23,893,417	\$ 25,164,141	\$ 48,165,491	\$ 49,143,897
Capital assets	16,583,713	16,805,068	55,393,641	53,542,062	71,977,354	70,347,130
Total assets	<u>40,855,787</u>	<u>40,784,824</u>	<u>79,287,058</u>	<u>78,706,203</u>	<u>120,142,845</u>	<u>119,491,027</u>
Long-term liabilities outstanding	3,624,316	4,483,529	14,080,993	14,891,600	17,705,309	19,375,129
Other liabilities	10,282,071	10,074,113	1,308,698	1,521,809	11,590,769	11,595,922
Total liabilities	<u>13,906,387</u>	<u>14,557,642</u>	<u>15,389,691</u>	<u>16,413,409</u>	<u>29,296,078</u>	<u>30,971,051</u>
Net assets:						
Invested in capital assets, net of related debt	12,359,472	11,920,974	41,078,414	38,476,131	53,437,886	50,397,105
Restricted	1,159,189	881,827	3,896,170	3,841,767	5,055,359	4,723,594
Unrestricted	13,430,739	13,424,381	18,922,783	19,974,896	32,353,522	33,399,277
Total net assets	<u>\$ 26,949,400</u>	<u>\$ 26,227,182</u>	<u>\$ 63,897,367</u>	<u>\$ 62,292,794</u>	<u>\$ 90,846,767</u>	<u>\$ 88,519,976</u>

An additional portion of the Township's net assets (6 percent) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets (\$32.3 million) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

There was an increase of \$54,403 in restricted assets reported in connection with the Township's business-type activities. All of the increase is due to the estimated cost to replace infrastructure relating to federal funds received for sewer improvements in prior years. The restricted governmental fund net assets increased by \$277,362 which arose from increases in the cemetery perpetual care fund and amounts restricted by source of revenue such as special levies.

The government's net assets increased by \$2.3 million during the current fiscal year. About 5 percent of this increase represents the degree in which increases in ongoing revenues have outstripped similar increases in ongoing expenditures. The remaining 95 percent is attributed to capital contributions made to the enterprise funds.

Governmental activities. Governmental activities increased the Township's net assets by \$722,218, thereby accounting for 31 percent of the total growth, while the business-type activities net assets increased by \$1,604,573, which represents 69 percent of the growth in the net assets of the Township. Key elements of this increase are as follows:

Charter Township of Delta's Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	\$ 2,693,215	\$ 2,341,796	\$ 6,868,435	\$ 6,500,343	\$ 9,561,650	\$ 8,842,139
Operating grants and contributions	64,871	103,432			64,871	103,432
Capital grants and contributions	69,296		2,354,704	653,665	2,424,000	653,665
General revenues:						
Property taxes	7,530,675	7,165,557			7,530,675	7,165,557
Paramedic levy	1,161,232	1,097,426			1,161,232	1,097,426
State sources	2,287,885	2,500,005			2,287,885	2,500,005
Franchise fee-cable	128,943	110,985			128,943	110,985
Investment earnings	325,310	352,576	428,898	448,151	754,208	800,727
Other	443,741	493,417			443,741	493,417
Total revenues	14,705,168	14,165,194	9,652,037	7,602,159	24,357,205	21,767,353
Expenses:						
General government	3,893,696	2,501,671			3,893,696	2,501,671
Public safety	6,961,831	6,481,243			6,961,831	6,481,243
Public works	1,363,409	1,393,202			1,363,409	1,393,202
Economic development		94,657				94,657
Culture and recreation	1,658,719	1,564,070			1,658,719	1,564,070
Interest on long-term debt	105,295	136,209			105,295	136,209
Water			3,464,053	3,607,677	3,464,053	3,607,677
Sewer			4,583,411	4,401,109	4,583,411	4,401,109
Total expenses	13,982,950	12,171,052	8,047,464	8,008,786	22,030,414	20,179,838
Increase (decrease) in net assets	722,218	1,994,142	1,604,573	(406,627)	2,326,791	1,587,515
Net assets, beginning of year	26,227,182	24,233,040	62,292,794	62,699,421	88,519,976	86,932,461
Net assets, end of year	\$ 26,949,400	\$ 26,227,182	\$ 63,897,367	\$ 62,292,794	\$ 90,846,767	\$ 88,519,976

- Property taxes increased by \$365,118 (5 percent) during the year. Most of this increase is the product of new construction.
- Overall government activities revenue is up \$539,974 from prior year. The State of Michigan cut its funding to the Township, which was offset by increased participation from citizens for programs put on by the Township as well as property taxes.
- Expenses for governmental activities went from \$12.2 million to \$14.0 million, an increase of \$1.8 million. Majority of the increase is due to the funding of other post employment benefits in anticipation of new government accounting standards. Ignoring the funding of other post employment benefits, expenses rose from the prior year by \$811,899.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-type activities. Business-type activities increased the Township's net assets by \$1,604,573. Key elements of this increase are as follows.

- **Increase in capital grants and contributions** – Contributions in 2003 were \$653,665, \$150,521 in sewer and \$503,144 in water. During 2004, contributions were \$2,354,704, \$1,054,725 in sewer and \$1,299,979 in water.

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balance of \$15.4 million, an increase of \$126 thousand in comparison with the prior year. Approximately two-thirds of this total amount (\$9.4 million) constitutes *unreserved fund balance*, which is available for spending at the government's discretion although special revenue and capital projects funds generally are limited to types of expenditures. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to prepaid expenditures (\$66,880), 2) to pay debt service (\$254,686), 3) to generate income to pay for the perpetual care of the municipal cemetery (\$166,186), or 4) for a variety of other designated purposes (\$5,579,901).

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$6.7 million, while total fund balance reached \$12.3 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 50 percent of total general fund expenditures, while total fund balance represents 92 percent of that same amount.

The fund balance of the Township's general fund decreased by \$104 thousand during the current fiscal year. Key factors in this decrease are as follows:

- The Township started funding the other post employment liability. The contribution was \$1,000,000.
- State source funding was reduced by \$218,666.
- Due to the continued economic downturn the Township departments were very conservative when making purchases. This was also an important factor in limiting the decrease in the general fund net assets.

The debt service fund has a total fund balance of \$254,686, all of which is reserved for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$23,417. Revenue decreased by \$90,859 largely due to the reduction of the millage rate. Expenses remained relatively the same as prior year.

Proprietary funds. The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets for the water and sewer funds at the end of the year amounted to \$18.9 million. The total increase in net assets amounted to \$1,604,573. Other factors concerning the finances of this fund have already been addressed in the discussion of the Township's business-type activities.

General Fund Budgetary Highlights

The final amended budget increased appropriations by \$1,807,345 from the original budget and can be summarized as follows:

- \$1,133,834 increase in general government activities
- \$516,436 increase in public safety activities
- \$20,255 decrease in public works activities
- \$67,730 increase in culture and recreation activities
- \$109,600 increase in debt service

The main reason for the changes resulted from reallocating expenses across the different governmental activities, as well as a new police contract and other post employment benefit payment. Fire and paramedic expenses were also increased by \$424,656. During the year budgetary estimates for revenue exceeded what was actually received. This arises primarily from timing of federal grants and certain interfund charges which are properly characterized as expense reductions rather than revenues for reporting purposes.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental and business type activities as of December 31, 2004, amounts to \$71.9 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, vehicles, park facilities, sidewalks, and other infrastructure. The total increase in the Township's investment in capital assets for the current fiscal year was 2.3 percent (a 1.3 percent decrease for governmental activities and a 3.5 percent increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Construction of various water and sewer projects in the amount of \$1.3 million.

Charter Township of Delta's Capital Assets (net of depreciation)

	Governmental activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 4,922,030	\$ 4,922,030	\$ 744,144	\$ 744,144	\$ 5,666,174	\$ 5,666,174
Building and building equipment	6,608,220	6,716,650	9,478,567	10,427,612	16,086,787	17,144,262
Land improvements/sidewalks	1,767,829	1,788,343	36,835	42,236	1,804,664	1,830,579
Vehicles	221,674	157,236			221,674	157,236
Equipment	1,659,996	1,794,153	543,373	524,027	2,203,369	2,318,180
Usage rights	1,403,964	1,426,656			1,403,964	1,426,656
Sewer and water mains			43,087,706	40,809,631	43,087,706	40,809,631
Construction in process			1,503,016	994,412	1,503,016	994,412
	<u>\$ 16,583,713</u>	<u>\$ 16,805,068</u>	<u>\$ 55,393,641</u>	<u>\$ 53,542,062</u>	<u>\$ 71,977,354</u>	<u>\$ 70,347,130</u>

Additional information on the Township's capital assets can be found in Note 4 on pages 22 through 24 of this report.

Long-term debt. At the end of the current fiscal year, the Township had total long-term debt outstanding of \$19.6 million. Of this amount, \$13.8 million comprises debt backed by the full faith and credit of the government. The amount of \$3.7 million of the Township's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds). The remaining \$2.2 million represents compensated absences earned but not used as of year end (\$1.1 million) and other long-term items (\$1 million).

Charter Township of Delta's Outstanding Debt
General Obligation and Revenue Bonds

	Governmental activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
General obligation	\$ 3,150,000	\$ 3,800,000	\$ 10,600,000	\$ 11,275,000	\$ 13,750,000	\$ 15,075,000
Revenue bonds			3,725,000	3,800,000	3,725,000	3,800,000
Other long-term debt	1,074,241	1,262,905			1,074,241	1,262,905
Compensated absences	824,901	811,151	281,279	275,133	1,106,180	1,086,284
Total	<u>\$ 5,049,142</u>	<u>\$ 5,874,056</u>	<u>\$ 14,606,279</u>	<u>\$ 15,350,133</u>	<u>\$ 19,655,421</u>	<u>\$ 21,224,189</u>

The Township's total debt decreased by \$1.6 million (7 percent) during the current fiscal year. The key factor in this decrease was the payment of bonds based on the maturity schedules.

The Township was given an "AAA" rating from Standard & Poor's and Fitch for the general obligation debt due to the bonds being insured. If the bonds had not been insured the ratings would have been "AA-" and "AA+" respectively.

Additional information on the Township's long-term debt can be found in Note 6 on pages 25 through 29 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Delta Township is currently 5.4 percent which is a slight 0.5 percent increase from a year ago. This compares favorably with the State's average unemployment rate of 7.1 percent.
- The overall labor force in Delta Township has remained consistent while the State's has increased by 0.5 percent over the same twelve months – January 2004 to January 2005.

These factors were taken into consideration when preparing the fiscal year 2005 budget.

Charter Township of Delta's goal is to continually look for the most efficient and effective methods to maintain and enhance the services that are provided to the public. The Township is described as "a growing economic base with a sound financial position and minimal capital needs". The Township has a conservative and financially prudent budget for the fiscal year 2005 that also promotes and funds numerous project objectives that have been set by the Township's Strategic Plan.

The Township has deliberately made conservative estimates concerning state revenue sharing for fiscal year 2005 due to the budget constraints at the State level. It has also estimated investment earnings conservatively anticipating a slow increase in interest rates.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township Manager's Office, 7710 West Saginaw Highway, Lansing, MI 48917-9712.

BASIC FINANCIAL STATEMENTS

CHARTER TOWNSHIP OF DELTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2004

	Primary Government			Component Unit
	Governmental activities	Business-type activities	Total	Economic Development Corporation
ASSETS				
CURRENT ASSETS:				
Cash	\$ 1,380,181	\$ 4,840,368	\$ 6,220,549	\$ 160,397
Investments	16,978,473	10,724,061	27,702,534	
Receivables:				
Accounts	433,677	465,767	899,444	
Taxes	5,282,907		5,282,907	
Interest	79,664	91,032	170,696	
Special assessment-current		99,504	99,504	
Special assessment-interest		27,431	27,431	
Other		119,177	119,177	
Internal balances	50,292	(50,292)		
Current portion of long-term receivable		10,058	10,058	
Prepaid expenses	66,880		66,880	
TOTAL CURRENT ASSETS	24,272,074	16,327,106	40,599,180	160,397
NONCURRENT ASSETS:				
Investments:				
Replacement account - temporarily restricted		3,896,170	3,896,170	
Replacement account - designated		1,699,881	1,699,881	
Deferred charges:				
Tap in charges - deferred		503,336	503,336	
Unamortized bond issuance costs		436,419	436,419	
Special assessments-deferred		556,853	556,853	
Long-term receivable		473,652	473,652	
TOTAL NONCURRENT ASSETS		7,566,311	7,566,311	
CAPITAL ASSETS:				
Land and construction in progress	4,922,030	2,247,160	7,169,190	
Other capital assets, net of accumulated depreciation	11,661,683	53,146,481	64,808,164	
TOTAL CAPITAL ASSETS	16,583,713	55,393,641	71,977,354	
TOTAL ASSETS	40,855,787	79,287,058	120,142,845	160,397

	Primary Government			Component Unit
	Governmental	Business-type	Total	Economic
	activities	activities		Development
				Corporation
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable	\$ 139,376	\$ 116,775	\$ 256,151	\$
Accrued salaries and related items	237,163	7,142	244,305	
Accrued interest	51,007	102,546	153,553	
Customer deposits	115,309	130,303	245,612	
Deferred revenue-taxes	8,314,390		8,314,390	
Current portion of long term obligations	891,336	780,000	1,671,336	
Current portion of compensated absences	533,490	171,932	705,422	
TOTAL CURRENT LIABILITIES	10,282,071	1,308,698	11,590,769	
NONCURRENT LIABILITIES:				
Noncurrent portion of long term obligations:				
Accrued compensated absences	291,411	109,347	400,758	
Other long-term debt	882,905		882,905	
Unamortized bond premiums		426,646	426,646	
Revenue bonds payable		3,600,000	3,600,000	
General obligation debt	2,450,000	9,945,000	12,395,000	
TOTAL NONCURRENT LIABILITIES	3,624,316	14,080,993	17,705,309	
TOTAL LIABILITIES	13,906,387	15,389,691	29,296,078	
NET ASSETS:				
Invested in capital assets net of related debt	12,359,472	41,078,414	53,437,886	
Restricted for perpetual care	166,186		166,186	
Restricted for capital outlay		3,896,170	3,896,170	
Restricted for paramedic services	789,324		789,324	
Restricted for debt service	203,679		203,679	
Unrestricted	13,430,739	18,922,783	32,353,522	160,397
TOTAL NET ASSETS	\$ 26,949,400	\$ 63,897,367	\$ 90,846,767	\$ 160,397

See notes to financial statements.

**CHARTER TOWNSHIP OF DELTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2004**

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net assets			Component Unit Economic Development Corporation
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government			
					Governmental activities	Business-type activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 3,893,696	\$ 72,100	\$	\$	\$ (3,821,596)	\$	\$ (3,821,596)	\$
Public safety	6,961,831	928,151	38,643	69,296	(5,925,741)		(5,925,741)	
Public works	1,363,409	1,435,647			72,238		72,238	
Culture and recreation	1,658,719	257,317	26,228		(1,375,174)		(1,375,174)	
Interest on long-term debt	105,295				(105,295)		(105,295)	
Total governmental activities	13,982,950	2,693,215	64,871	69,296	(11,155,568)		(11,155,568)	
Business-type activites:								
Water	3,464,053	3,844,623		1,299,979		1,680,549	1,680,549	
Sewer	4,583,411	3,023,812		1,054,725		(504,874)	(504,874)	
Total business activities	8,047,464	6,868,435		2,354,704		1,175,675	1,175,675	
Total primary government	\$ 22,030,414	\$ 9,561,650	\$ 64,871	\$ 2,424,000			(9,979,893)	
Component unit:								
Economic Development Corporation	\$	\$	\$	\$	\$	\$	\$	\$
General revenues:								
Taxes:								
Property taxes, levied for general purposes					\$ 6,767,956	\$	\$ 6,767,956	\$
Property taxes, levied for debt service					762,719		762,719	
Paramedic levy					1,161,232		1,161,232	
State sources					2,287,885		2,287,885	
Franchise fee-cable					128,943		128,943	
Investment earnings					325,310	428,898	754,208	2,240
Other					443,741		443,741	
Total general revenues					11,877,786	428,898	12,306,684	2,240
Change in net assets					722,218	1,604,573	2,326,791	2,240
Net assets, beginning of year					26,227,182	62,292,794	88,519,976	158,157
Net assets, end of year					\$ 26,949,400	\$ 63,897,367	\$ 90,846,767	\$ 160,397

See notes to financial statements.

**CHARTER TOWNSHIP OF DELTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

	General	Other governmental funds	Total governmental funds
ASSETS			
ASSETS:			
Cash	\$ 947,999	\$ 432,182	\$ 1,380,181
Investments	14,297,569	2,680,904	16,978,473
Receivables			
Accounts	433,677		433,677
Taxes	3,283,667	1,961,813	5,245,480
Interest	69,304	10,360	79,664
Due from other funds	50,292	6,249	56,541
Prepaid expenditures	66,880		66,880
TOTAL ASSETS	<u>\$ 19,149,388</u>	<u>\$ 5,091,508</u>	<u>\$ 24,240,896</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 122,675	\$ 16,701	\$ 139,376
Accrued salaries and related items	236,550	613	237,163
Due to other funds	6,249		6,249
Customer deposits	115,309		115,309
Deferred revenue	6,352,577	1,961,813	8,314,390
TOTAL LIABILITIES	<u>6,833,360</u>	<u>1,979,127</u>	<u>8,812,487</u>
FUND BALANCES:			
Reserved for prepaid expenditures	66,880		66,880
Reserved for debt service		254,686	254,686
Reserved for perpetual care fund		166,186	166,186
Designated:			
Compensated absences	808,862	16,039	824,901
Roads	1,000,000		1,000,000
Drains	3,000,000		3,000,000
Subsequent year expenditures		15,000	15,000
Retiree health insurance	250,000		250,000
Non-motorized transportation	300,000		300,000
MEF	190,000		190,000
Unreserved, undesignated reported in:			

	General	Other governmental funds	Total governmental funds
General fund	\$ 6,700,286	\$	\$ 6,700,286
Special revenue funds		2,481,318	2,481,318
Capital projects fund		179,152	179,152
TOTAL FUND BALANCES	<u>12,316,028</u>	<u>3,112,381</u>	<u>15,428,409</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 19,149,388</u>	<u>\$ 5,091,508</u>	<u>\$ 24,240,896</u>

Total Governmental Fund Balances

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Cost of the capital assets

\$ 26,087,830

Less accumulated depreciation

9,504,117

16,583,713

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds

Delinquent personal property taxes receivable, less allowance for doubtful accounts

37,427

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

General obligation debt

(3,150,000)

Other long-term debt

(1,074,241)

Compensated absences

(824,901)

Accrued interest

(51,007)

Net assets of governmental activities

\$ 26,949,400

CHARTER TOWNSHIP OF DELTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2004

	<u>General</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
REVENUES:			
Local sources:			
Property taxes	\$ 6,785,863	\$ 762,719	\$ 7,548,582
Paramedic levy		1,161,232	1,161,232
Licenses and permits	1,190,163		1,190,163
Charges for services	1,408,417	141,612	1,550,029
Investment earnings	282,370	42,940	325,310
Local grants	64,875		64,875
Other	420,580	40,252	460,832
Total local sources	10,152,268	2,148,755	12,301,023
State sources	2,287,885	26,228	2,314,113
Federal sources	107,939		107,939
Total revenues	12,548,092	2,174,983	14,723,075
EXPENDITURES:			
Current:			
General government	3,857,766		3,857,766
Fire station construction		2,274	2,274
Public safety	6,795,488		6,795,488
Public works	1,292,378		1,292,378
Culture and recreation	1,157,374	537,270	1,694,644
Debt service:			
Principal repayment	213,605	650,000	863,605
Interest expense	22,802	93,000	115,802
Total expenditures	13,339,413	1,282,544	14,621,957
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(791,321)	892,439	101,118
OTHER FINANCING SOURCES (USES):			
Drain usage rights - Eaton County	24,941		24,941
Interfund transfers from other funds	1,081,482	419,430	1,500,912
Interfund transfers to other funds	(419,430)	(1,081,482)	(1,500,912)
Total other financing sources (uses)	686,993	(662,052)	24,941
Net change in fund balances	(104,328)	230,387	126,059
FUND BALANCES:			
Beginning of year	12,420,356	2,881,994	15,302,350
End of year	<u>\$ 12,316,028</u>	<u>\$ 3,112,381</u>	<u>\$ 15,428,409</u>

See notes to financial statements.

**CHARTER TOWNSHIP OF DELTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2004**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 126,059
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(831,867)
Capital outlay	684,682
Realized loss on disposal of fixed assets	(74,170)
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable beginning of the year	61,514
Accrued interest payable end of the year	(51,007)
Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)	863,605
Drain assessments from Eaton County (long-term debt recorded as an other financing source at the fund level)	(24,941)
Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:	
Accrued revenue beginning of the year - primarily delinquent personal property taxes	(55,334)
Accrued revenue end of the year - primarily delinquent personal property taxes	37,427
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued compensated absences beginning of the year	811,151
Accrued compensated absences end of the year	<u>(824,901)</u>
Change in net assets of governmental activities	<u><u>\$ 722,218</u></u>

CHARTER TOWNSHIP OF DELTA
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
DECEMBER 31, 2004

ASSETS	Business-type activities-Enterprise Funds		
	Sewer fund	Water fund	Total
CURRENT ASSETS:			
Cash	\$ 4,462,606	\$ 377,762	\$ 4,840,368
Investments	4,909,253	5,814,808	10,724,061
Receivables:			
Accounts		465,767	465,767
Interest	57,079	33,953	91,032
Special assessment-current	34,246	65,258	99,504
Special assessment-interest	9,845	17,586	27,431
Other	11,516	107,661	119,177
Current portion of long-term receivable		10,058	10,058
TOTAL CURRENT ASSETS	9,484,545	6,892,853	16,377,398
NONCURRENT ASSETS:			
Investments:			
Replacement account - temporarily restricted	3,896,170		3,896,170
Replacement account - designated		1,699,881	1,699,881
Deferred charges:			
Tap in charges - deferred	315,660	187,676	503,336
Unamortized bond issuance cost	45,184	391,235	436,419
Special assessment-deferred	61,149	495,704	556,853
Long-term receivable		473,652	473,652
TOTAL NONCURRENT ASSETS	4,318,163	3,248,148	7,566,311
PROPERTY, PLANT AND EQUIPMENT , net of accumulated depreciation	32,274,537	23,119,104	55,393,641
TOTAL ASSETS	46,077,245	33,260,105	79,337,350

LIABILITIES AND NET ASSETS	Business-type activities-Enterprise Funds		
	Sewer fund	Water fund	Total
CURRENT LIABILITIES:			
Accounts payable	\$ 32,395	\$ 84,380	\$ 116,775
Accrued payroll, taxes and withholdings	6,048	1,094	7,142
Accrued interest	16,625	85,921	102,546
Customer deposits	86,156	44,147	130,303
Current portion of long-term liabilities	160,475	619,525	780,000
Current portion of compensated absences	153,799	18,133	171,932
Due to other funds	35,994	14,298	50,292
TOTAL CURRENT LIABILITIES	491,492	867,498	1,358,990
LONG-TERM LIABILITIES , net of current portion:			
Compensated absences	95,381	13,966	109,347
Unamortized bond premiums	104,515	322,131	426,646
Revenue bonds payable		3,600,000	3,600,000
General obligation tax bonds	2,436,525	7,508,475	9,945,000
TOTAL LONG-TERM LIABILITIES	2,636,421	11,444,572	14,080,993
TOTAL LIABILITIES	3,127,913	12,312,070	15,439,983
NET ASSETS:			
Invested in capital assets net of related debt	29,618,206	11,460,208	41,078,414
Restricted for capital outlay	3,896,170		3,896,170
Unrestricted	9,434,956	9,487,827	18,922,783
TOTAL NET ASSETS	\$ 42,949,332	\$ 20,948,035	\$ 63,897,367

**CHARTER TOWNSHIP OF DELTA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
YEAR ENDED DECEMBER 31, 2004**

	Business-type activities-Enterprise Funds		
	Sewer fund	Water fund	Total
OPERATING REVENUES:			
Charges for services	\$ 2,603,353	\$ 3,171,067	\$ 5,774,420
Capital charges	356,908	258,015	614,923
Hydrant rental		123,200	123,200
Forfeited discounts	31,602	36,567	68,169
Other services charges		157,085	157,085
Other	13,147	32,682	45,829
Total operating revenues	3,005,010	3,778,616	6,783,626
OPERATING EXPENSES:			
Costs of sales and services	2,812,037	2,324,247	5,136,284
Depreciation	1,675,437	613,431	2,288,868
Total operating expenses	4,487,474	2,937,678	7,425,152
Operating income (loss)	(1,482,464)	840,938	(641,526)
NON-OPERATING REVENUES (EXPENSES):			
Contributions-infrastructure	1,054,725	1,299,979	2,354,704
Main charges	18,802	66,007	84,809
Investment income - net	217,237	211,661	428,898
Interest and fiscal charges	(100,882)	(522,133)	(623,015)
Bond issuance cost	(3,765)	(31,086)	(34,851)
Bond premium	8,710	26,844	35,554
Total non-operating revenues - net	1,194,827	1,051,272	2,246,099
Change in net assets	(287,637)	1,892,210	1,604,573
NET ASSETS, beginning of year	43,236,969	19,055,825	62,292,794
NET ASSETS, end of year	\$ 42,949,332	\$ 20,948,035	\$ 63,897,367

See notes to financial statements.

**CHARTER TOWNSHIP OF DELTA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2004**

	Business-type activities-Enterprise Funds		
	Sewer fund	Water fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
ACTIVITIES:			
Receipts from customers and users	\$ 2,603,353	\$ 3,183,125	\$ 5,786,478
Capital charges	356,908	258,015	614,923
Hydrant rental		123,200	123,200
Forfeited discounts	31,602	36,567	68,169
Other services charges		157,085	157,085
Other	13,147	32,682	45,829
Payment to suppliers	(1,513,817)	(1,691,461)	(3,205,278)
Payment to employees	(1,558,136)	(585,359)	(2,143,495)
Payment (receipts) for interfund services	2,818,426	(2,777,869)	40,557
Net cash provided (used) in operating activities	2,751,483	(1,264,015)	1,487,468
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Contributions	1,054,725	1,299,979	2,354,704
Main and tap in charges	(47,143)	44,661	(2,482)
Net cash provided (used) by noncapital financing activities	1,007,582	1,344,640	2,352,222
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Interest received from special assessments	30,298	70,747	101,045
Proceeds (payments) from special assessments	25,770	149,404	175,174
Principal repayments on debt	(165,375)	(584,625)	(750,000)
Interest (paid) earned on bonds and land contract	(101,433)	(524,455)	(625,888)
Payments for capital acquisitions	(2,648,545)	(1,491,901)	(4,140,446)
Net cash provided (used) by capital and related financing activities	(2,859,285)	(2,380,830)	(5,240,115)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received from investments	172,158	145,720	317,878
Sale (purchase) of investments	222,125	1,598,230	1,820,355
Net cash provided (used) by investing activities	394,283	1,743,950	2,138,233
NET INCREASE IN CASH	1,294,063	(556,255)	737,808
CASH:			
Beginning of year	3,168,543	934,017	4,102,560
End of year	\$ 4,462,606	\$ 377,762	\$ 4,840,368

See notes to financial statements.

**CHARTER TOWNSHIP OF DELTA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2004**

	<u>Business-type activities-Enterprise Funds</u>		
	<u>Sewer fund</u>	<u>Water fund</u>	<u>Total</u>
RECONCILIATION OF NET OPERATING REVENUES (EXPENSE) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income (loss)	\$ (1,482,464)	\$ 840,938	\$ (641,526)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation	1,675,437	613,431	2,288,868
(Increase) decrease in assets:			
Receivables		12,058	12,058
Prepaid insurance	14,959	7,842	22,801
Due to/from other funds-net	2,818,426	(2,777,869)	40,557
Increase (decrease) in liabilities:			
Accounts payable	(229,350)	68,486	(160,864)
Accrued compensated absences	2,828	3,318	6,146
Customer deposits		(3,847)	(3,847)
Contract retainers payable	(48,353)	(28,372)	(76,725)
Net cash provided (used) in operating activities	<u>\$ 2,751,483</u>	<u>\$ (1,264,015)</u>	<u>\$ 1,487,468</u>

**CHARTER TOWNSHIP OF DELTA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2004**

	Pension trust fund	Other post employment benefit trust fund	Agency fund	
	Employee retirement	Retiree health benefits	Tax collection fund	Total Fiduciary Funds
ASSETS				
ASSETS:				
Cash	\$	\$	\$ 308,737	\$ 308,737
Investments	17,112,293	1,000,000	4,662,433	22,774,726
Taxes receivable - delinquent			482,215	482,215
Interest receivable			21,386	21,386
TOTAL ASSETS	17,112,293	1,000,000	5,474,771	23,587,064
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Undistributed tax collections:				
Current			4,989,771	4,989,771
Delinquent and other			485,000	485,000
TOTAL LIABILITIES			5,474,771	5,474,771
NET ASSETS:				
Held in trust for pension benefits and other purposes	<u>\$ 17,112,293</u>	<u>\$ 1,000,000</u>	<u>\$</u>	<u>\$ 18,112,293</u>

CHARTER TOWNSHIP OF DELTA
FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED DECEMBER 31, 2004

	<u>Pension trust fund</u>	<u>Other post employment benefit</u>	
	<u>Employee retirement</u>	<u>Retiree health benefits</u>	<u>Total</u>
ADDITIONS:			
Investment income-net	\$ 1,488,428	\$	\$ 1,488,428
Contributions	<u>548,261</u>	<u>1,000,000</u>	<u>1,548,261</u>
Total additions	2,036,689	1,000,000	3,036,689
DEDUCTIONS:			
Distributions	<u>358,986</u>		<u>358,986</u>
Change in net assets	1,677,703	1,000,000	2,677,703
NET ASSETS:			
Beginning of year	<u>15,434,590</u>		<u>15,434,590</u>
End of year	<u><u>\$ 17,112,293</u></u>	<u><u>\$ 1,000,000</u></u>	<u><u>\$ 18,112,293</u></u>

**CHARTER TOWNSHIP OF DELTA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Charter Township of Delta (Township) is incorporated under the provisions of Act 359, P.A. 1947 as amended (Charter Township Act) and is located in mid-Michigan. The Township provides the following services as authorized by its charter; public safety (police and fire), public improvements (streets, sewers, water system, lighting), planning and zoning, recreation and general administrative services.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The blended component unit, although a legally separate entity, is, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended Component Unit

The following is a description of the blended component unit:

The Delta Township District Library is a separate governmental entity established by Act 24, Michigan Public Acts of 1989, as amended. The primary purpose of the District Library is to provide library services to the residents of Delta Township including the Waverly Community Schools. The Board of Directors is comprised of a six member board, four appointed by Delta Township and two appointed by Waverly Community Schools. The Township provides significant funding to operate the District Library. The library is reported as a special revenue fund.

Discretely Presented Component Units

The following is a description of the discretely presented component units:

The Economic Development Corporation of the Charter Township of Delta (EDC) is excluded from the reporting entity - the EDC is a nonstock, nonprofit corporation. The primary purpose of the corporation is to encourage and assist commercial enterprises to locate and expand facilities and services in the Township and to its residents. The corporation is organized pursuant to the State of Michigan, Public Act 338 of 1974, as amended. Members of the Board of Directors of the corporation are appointed by the Township Board of Trustees. The Township Board has the ability to exercise oversight responsibility, specifically in the area of designation of management. The EDC is presented as a discretely presented component unit.

The Brownfield Redevelopment Authority was established in 2002. The Authority has no balances and no activity took place during the year. As a consequence, it is not reported in the financial statements.

**CHARTER TOWNSHIP OF DELTA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support. Likewise, the *primary* government is reported separately from its legally separate *component* units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CHARTER TOWNSHIP OF DELTA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Government fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

The water and sewer funds are used to account for the results of operations that provide a service to citizens that are financed primarily by user charges for the provision of that service.

Additionally, the government reports the following fund types:

Special revenue funds - The *special revenue funds* account for revenue sources that are legally restricted for specific purpose (not including expendable trusts or major capital projects). The Township's special revenue funds include the paramedic, improvement revolving, budget stabilization and library (blended component unit) funds.

**CHARTER TOWNSHIP OF DELTA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Capital project fund - The *capital projects fund* accounts for the receipt of general debt proceeds and the acquisition of fixed assets or construction of related major capital projects.

Debt service fund - The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term debt payable from a property tax debt levy. The Township's only current debt service fund relates to the Central Fire Station

Permanent fund - The Township utilizes the Cemetery Perpetual Care fund to account for principal trust amounts received and related interest.

Additionally, the government reports as fiduciary funds, the employee retirement pension trust fund and the tax collection fund (agency fund).

The *pension trust fund* accounts for the activities of the Money Purchase Retirement Plan, which accumulates resources for pension benefit payments to qualified employees.

The other *post employment benefit trust fund* accounts for the accumulated resources related to health benefit payments to qualified retirees.

The *agency fund* is utilized to account for the Township's collection of taxes for other governmental units.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges for water, sewer and engineering services between the water and sewer funds and other functions of government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments and the ambulance millage. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**CHARTER TOWNSHIP OF DELTA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principal ongoing operations. The principal operating revenues of the water and sewer funds are charges to customers for sales and services. The funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets, Liabilities and Net Assets or Equity

1. Cash and Investments

Cash includes amounts in petty cash and demand deposits. Investments include instruments allowed by state statute subsequently described. Investments are carried at amortized cost or fair value.

State statutes authorized the Township to invest in bonds, securities, and other direct and certain indirect obligations of the U.S. Treasury, which include securities issued or guaranteed by the Government National Mortgage Association; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

The Township's retirement system investments are held in trust by the investment fiduciary, ICMA Retirement Corporation. Michigan Compiled Laws, Section 38.1132, authorizes Delta Township's retirement system to invest in a wide variety of investments including stocks, bonds, certificates of deposit, real estate, annuity contract obligations of a specified nature, and real or personal property.

**CHARTER TOWNSHIP OF DELTA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Assets or Equity (Concluded)

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” and are all current. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Accounts receivable in the proprietary funds do not have an allowance for uncollectibles. Delinquent amounts are ultimately added to the tax roll and become a lien on the property and as a consequence, no allowance is deemed necessary. An allowance is recorded related to delinquent personal property taxes amounting to fifty percent of the total. No other allowances are deemed necessary.

F. Prepaid Expenses

All inventories are valued at cost using the first-in/first-put (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

G. Restricted Assets

Restricted assets relate to amounts restricted for capital improvements by granting agencies.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure (sidewalks and usage rights), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvement are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

**CHARTER TOWNSHIP OF DELTA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets (Concluded)

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful live:

Assets	Years
Buildings	50
Building improvements	20
Public domain infrastructure	50
System infrastructure	30
Vehicles	5
Office equipment	5
Computer equipment	5

I. Compensated Absences

It is the Township's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick leave, which will be paid to employees upon separation from the Township. All vacation pay is accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**CHARTER TOWNSHIP OF DELTA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

L. Comparative data/reclassifications

Comparative total data for the prior year have been presented only for certain individual funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 - LEGAL COMPLIANCE - BUDGETS

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year-end.

Encumbrances represent commitments related to unperformed contracts for goods or services. The Township does not utilize encumbrance accounting.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or prior to September 1 of each year, a proposed budget is submitted to the Township Board for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to November 1 the budget is legally enacted through passage of a resolution.
4. Any revisions of the budget must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds.
6. Budgets for general and special revenue funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts are as originally adopted, or as amended by the Township Board during the fiscal year. Individual amendments were not material in relation to the original appropriations which were amended.
7. The budget is prepared by fund and function and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Expenditures may not exceed budget at the function level.

CHARTER TOWNSHIP OF DELTA **NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - CASH AND INVESTMENTS

The Township maintains a pooled account for substantially all of its cash and investments. Each fund type's portion of this pool is maintained through the use of separate accounts within the pooled account. These cash and investments are shown in their respective funds for financial reporting purposes.

Deposits

At year-end, the carrying amount of the Township's deposits was \$6,844,722. Of the \$6,506,394 bank balance and \$338,328 on account with an investment broker, \$300,000 was covered by federal depository insurance with the remaining balance uninsured and uncollateralized. The cash carrying amount includes \$4,408,925 of certificates of deposits which are classified as investments for financial statement purposes. The cash carrying amount also includes \$1,000 of petty cash.

Investments

The Township's investments are categorized as either (1) insured or registered or for which the securities are held by the Township or its agent in the Township's name, (2) uninsured and unregistered investments for which the securities are held by the bank's or broker's trust department in the Township's name, (3) uninsured and unregistered for which the securities are held by the bank or broker, or by its trust department or agent but not in the Township's name.

	Category			Carrying value
	1	2	3	
Commercial paper	\$ 23,997,248	\$	\$	\$ 23,997,248
GNMA	3,810,721			3,810,721
U.S. Treasury Notes	6,864,188			6,864,188
Other	2,227,667			2,227,667
Total	<u>\$ 36,899,824</u>	<u>\$</u>	<u>\$</u>	36,899,824
Investment in mutual funds				<u>19,018,448</u>
Total investments				<u>\$ 55,918,272</u>

CHARTER TOWNSHIP OF DELTA
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - CASH AND INVESTMENTS (Concluded)

A reconciliation of cash and investments at December 31 is as follows:

Carrying amount of deposits	\$ 6,844,722
Carrying amount of investments	<u>55,918,272</u>
Total	<u><u>\$ 62,762,994</u></u>

Investments in mutual funds include \$17,112,293 invested in the pension trust fund for employee retirement and \$1,000,000 invested in the other post retirement benefit trust fund for retiree health benefits.

FINANCIAL STATEMENT PRESENTATION

	Primary government	Component unit	Fiduciary	Total
Cash	\$ 6,220,549	\$ 160,397	\$ 308,737	\$ 6,689,683
Investments	27,702,534		22,774,726	50,477,260
Other assets:				
Investments:				
Replacement accounts:				
Restricted	3,896,170			3,896,170
Designated	<u>1,699,881</u>			<u>1,699,881</u>
Total	<u><u>\$ 39,519,134</u></u>	<u><u>\$ 160,397</u></u>	<u><u>\$ 23,083,463</u></u>	<u><u>\$ 62,762,994</u></u>

The Township invests in United States Treasury Strips in part to maximize yields and in part to hedge against interest rates. These securities are sensitive to interest rate changes.

CHARTER TOWNSHIP OF DELTA
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS

The capital assets are as follows:

	Balance December 31, 2003	Additions	Deletions	Balance December 31, 2004
Primary government:				
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 4,922,030	\$ -	\$ -	\$ 4,922,030
Capital assets, being depreciated:				
Buildings and building equipment	10,204,233	63,363		10,267,596
Land improvements/sidewalks	3,526,014	122,883		3,648,897
Vehicles	507,965	145,115	24,863	628,217
Flowage rights	1,880,397	24,941		1,905,338
Equipment	4,499,587	328,380	112,215	4,715,752
Total capital assets, being depreciated	20,618,196	684,682	137,078	21,165,800
Less accumulated depreciation for:				
Buildings and building equipment	3,487,583	171,793		3,659,376
Land improvements	1,737,671	143,397		1,881,068
Vehicles	350,729	79,677	23,863	406,543
Flowage rights	453,741	47,633		501,374
Equipment	2,705,434	389,367	39,045	3,055,756
Total accumulated depreciation	8,735,158	831,867	62,908	9,504,117
Total capital assets, being depreciated, net	11,883,038	(147,185)	74,170	11,661,683
Total	\$ 16,805,068	\$ (147,185)	\$ 74,170	\$ 16,583,713

CHARTER TOWNSHIP OF DELTA
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS (Continued)

	Balance December 31, 2003	Additions	Deletions	Balance December 31, 2004
Primary government:				
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 744,144	\$ -	\$ -	\$ 744,144
Construction in progress	994,412	791,969	283,365	1,503,016
Total capital assets, not being depreciated	1,738,556	791,969	283,365	2,247,160
Capital assets, being depreciated:				
Buildings and building equipment	25,312,730			25,312,730
Land improvements/sidewalks	59,085			59,085
Equipment	1,836,569	156,008	75,747	1,916,830
Sewer and water mains	57,187,791	3,475,835		60,663,626
Total capital assets, being depreciated	84,396,175	3,631,843	75,747	87,952,271
Less accumulated depreciation for:				
Buildings and building equipment	14,885,118	949,045		15,834,163
Land improvements	16,849	5,401		22,250
Equipment	1,312,542	136,662	75,747	1,373,457
Sewer and water mains	16,378,160	1,197,760		17,575,920
Total accumulated depreciation	32,592,669	2,288,868	75,747	34,805,790
Total capital assets, being depreciated, net	51,803,506	1,342,975	-	53,146,481
Total	\$ 53,542,062	\$ 2,134,944	\$ 283,365	\$ 55,393,641

CHARTER TOWNSHIP OF DELTA
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS (Concluded)

Depreciation expense was charged to functions/programs of the primary government at December 31, 2004 as follows:

Governmental activities:

General government	\$ 162,375
Public safety	313,637
Public works	202,652
Culture and recreation	<u>153,203</u>

Total depreciation expense - governmental activities	<u><u>\$ 831,867</u></u>
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Business type activities:

Water	\$ 613,431
Sewer	<u>1,675,437</u>

Total depreciation expense - business-type activities	<u><u>\$ 2,288,868</u></u>
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CHARTER TOWNSHIP OF DELTA
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS

The composition of interfund balances as of December 31, 2004 is as follows:

Due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Water fund	\$ 14,298
	Sewer fund	35,994
		<u>50,292</u>
Nonmajor:		
Special revenue	General	6,249
		<u>\$ 56,541</u>

The outstanding balances between funds result mainly from the accrued payroll. The payroll is calculated in the general fund, and the other funds reimburse. The general fund expects to collect in the subsequent year.

Interfund transfers:

<u>Receivable fund</u>	<u>Transfer in</u>	
	<u>General fund</u>	<u>Nonmajor special revenue</u>
Transfer out:		
General fund	\$ 1,081,482	\$ 419,430
Nonmajor special revenue:	<u>1,081,482</u>	<u>419,430</u>
	<u>\$ 1,081,482</u>	<u>\$ 419,430</u>

Transfers are used to 1) move revenues from the fund with collection authorization to the general fund for reimbursement of expenses incurred on behalf of the paramedic fund, 2) move funds for purchase of capital outlay, 3) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

NOTE 6 - LONG-TERM DEBT

General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds issued in prior years was \$16,275,000.

CHARTER TOWNSHIP OF DELTA
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM DEBT (Continued)

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are issued as 15-year serial bonds with differing amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest rates</u>	<u>Amount</u>
Governmental activities	2.50%	\$ 3,150,000
Business-type activities	2.0% - 5.0%	<u>10,600,000</u>
		<u><u>\$ 13,750,000</u></u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year ending December 31</u>	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 700,000	\$ 70,000	\$ 655,000	\$ 400,588
2006	750,000	51,875	750,000	386,069
2007	800,000	32,500	735,000	368,913
2008	900,000	11,250	730,000	348,775
2009			830,000	324,338
2010 - 2014			4,705,000	1,113,350
2015 - 2016			<u>2,195,000</u>	<u>109,875</u>
	<u><u>\$ 3,150,000</u></u>	<u><u>\$ 165,625</u></u>	<u><u>\$ 10,600,000</u></u>	<u><u>\$ 3,051,908</u></u>

Revenue Bonds

The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest rates</u>	<u>Amount</u>
Wastewater treatment Water fund	4.90% - 6%	<u><u>\$ 3,725,000</u></u>

CHARTER TOWNSHIP OF DELTA
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM DEBT (Continued)

Revenue bond debt service requirements to maturity are as follows:

Year ending December 31	Business-type activities	
	Principal	Interest
2005	\$ 125,000	\$ 208,138
2006	125,000	201,862
2007	125,000	195,524
2008	150,000	189,124
2009	175,000	181,400
2010 - 2014	1,025,000	759,577
2015 - 2019	1,600,000	415,250
2020	400,000	23,438
	<u>\$ 3,725,000</u>	<u>\$ 2,174,313</u>

Other Long-Term Debt

The government issued installment notes to provide funds for the acquisition of a fire truck and election equipment. The original amount issued in prior years was \$739,233. Installment notes outstanding at year end are as follows:

Purpose	Interest rate	Amount
Governmental activities	4.8% - 6.22%	<u>\$ 379,878</u>

The government is assessed for drains at large by Eaton County. The assessment covers the Township's share of installation and usage rights for the drains. General assessment outstanding at year end are as follows:

Purpose	Interest rate	Amount
Governmental activities	4.9% - 7.02%	<u>\$ 694,363</u>

CHARTER TOWNSHIP OF DELTA
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM DEBT (Continued)

Installment notes and general assessment debt service requirements are as follows:

Year ending December 31	Installment notes		General assessment	
	Principal	Interest	Principal	Interest
2005	\$ 63,313	\$ 18,234	\$ 128,023	\$ 39,165
2006	63,313	15,195	128,023	31,760
2007	253,252	12,158	128,023	23,708
2008			44,426	17,236
2009			42,926	14,773
2010 - 2014			214,630	38,026
2015 - 2019			8,312	1,309
	<u>\$ 379,878</u>	<u>\$ 45,587</u>	<u>\$ 694,363</u>	<u>\$ 165,977</u>

CHARTER TOWNSHIP OF DELTA **NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM DEBT (Concluded)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2004, was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 3,800,000	\$	\$ 650,000	\$ 3,150,000	\$ 700,000
Other long-term debt	1,262,905	24,941	213,605	1,074,241	191,336
Compensated absences	811,151	13,750		824,901	533,490
	<u>\$ 5,874,056</u>	<u>\$ 38,691</u>	<u>\$ 863,605</u>	<u>\$ 5,049,142</u>	<u>\$ 1,424,826</u>
Business-type activities:					
Bonds payable:					
General obligation	\$ 11,275,000	\$	\$ 675,000	\$ 10,600,000	\$ 655,000
Revenue bonds	3,800,000		75,000	3,725,000	125,000
Less deferred amounts:					
Issuance costs	(471,270)		34,851	(436,419)	
Add:					
Bond premiums	462,201		35,555	426,646	
	15,065,931	-	820,406	14,315,227	780,000
Compensated absences	275,133	6,146		281,279	171,932
	<u>\$ 15,341,064</u>	<u>\$ 6,146</u>	<u>\$ 820,406</u>	<u>\$ 14,596,506</u>	<u>\$ 951,932</u>

NOTE 7 - PROPERTY TAX REVENUE

Property taxes become an enforceable lien on the property as of December 1. Taxes are levied on December 1 and are due in February of the following year. The Township bills and collects its own property taxes and also taxes for the county, intermediate school district, community college and school districts. All tax collections are accounted for in the tax collection fund, an agency fund. Township tax revenues are recognized in the fiscal year following the December 1 levy date. Property taxes levied for the ensuing year's revenue are included in taxes receivable and deferred revenue. Property tax receivables related to delinquent taxes are also deferred unless collected within 60 days of year-end.

CHARTER TOWNSHIP OF DELTA

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - PROPERTY TAX REVENUE (Concluded)

The Township is permitted by state statute to levy taxes up to \$5.00 per \$1,000 of taxable valuation for general government services other than the payment of principal and interest on long-term debt and in unlimited amounts for the payment of principal and interest on long-term debt. In addition, the residents of the Township have approved an additional \$1.00 per \$1,000 specifically for the operation of the paramedic operations and an additional \$0.62 per \$1,000 specifically for improvements of the fire department. The Township levied \$4.9287 per \$1,000 for general governmental purposes, \$0.9896 per \$1,000 for the paramedic operation, and \$0.6200 per \$1,000 for the fire department improvements for a total of \$6.5383 per \$1,000.

NOTE 8 - PENSION PLANS

Money Purchase Retirement Plan

The Charter Township of Delta has a Money Purchase Retirement Plan which was established on January 1, 1971. This defined contribution plan covers all full time employees and elected officials who have attained the age of eighteen years. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus results of investments transactions. The plan assets are invested by ICMA Retirement Corporation who is the trustee of the plan. The Township acts as a public plan sponsor for the retirement plan. Partial vesting occurs after three years of service at 20% and increases 20% per year until full vesting occurs at seven years of service. The Township contributes 12.5% of the employees' base annual compensation, based on the contribution provisions set up in the plan and trust agreement. The Township's total payroll was \$6,819,084 in 2004. The base salary amounted to \$4,386,091. The Township made the required contributions of \$548,0261. No significant employee contributions were made. Plan provisions and contribution requirements are established and may be amended by the Township.

Deferred compensation plan

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is available to all Township employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The plan assets are held in trust for the exclusive benefit of participating employees and are not assessable by the government or its creditors.

CHARTER TOWNSHIP OF DELTA NOTES TO FINANCIAL STATEMENTS

NOTE 8 - PENSION PLANS (Continued)

Defined Benefit Plan

a. Plan Description

On July 1, 1994, the Township and its firefighters union elected to place the union firefighters into the Municipal Employees Retirement System (MERS) which is an agent multiple-employer public employee retirement system (PERS). The MERS was organized pursuant to Act No. 427, Public Acts of 1984, as amended, and the Constitution of the State of Michigan. The Township has no administrative responsibility for the plan. The Municipal Retirement System issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing Municipal Employee Retirement Systems of Michigan, Lansing, Michigan 48917 or calling (517) 622 - 4401.

b. Funding Policy

The plan provides for vesting of benefits after 10 years of credited service. Participants may elect normal retirement at age 60 with 10 or more years of service. The plan also provides for early retirement at age 55 with 15 or more years of service, and at age 50 with 25 or more years of service. Election of early retirement is subject to reduction of benefits as outlined below.

Participants of the firefighters union are entitled to a retirement benefit equal to the credited service at the time of membership termination multiplied by 1% to 2.5% of the member's final average compensation (F.A.C.) up to a maximum of 80% of F.A.C. subject to certain limitations. The retirement allowance is reduced 1/2% of 1% for each complete month that retirement precedes the age at which full normal retirement benefits are available. The plan provides that the employer/employees contribute amounts necessary to fund the actuarially determined benefits. The Township makes employer contributions in accordance with funding requirements determined by MERS' actuary, until such time as the contributions exceed 9% of covered payroll whereon the Township is directed to make withholdings from salaries and wages of eligible employees and forward these to MERS. The MERS' actuary uses the entry age normal actuarial cost method.

The Township's pension cost for fiscal years ending December 31, 2004 and 2003 was \$132,228 and \$128,856, respectively. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age normal actuarial cost method.

CHARTER TOWNSHIP OF DELTA **NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION PLANS (Concluded)

Defined Benefit Plan (Concluded)

b. Funding Policy (Concluded)

The significant actuarial assumptions to be used to compute the actuarial accrued liabilities are as follows: (1) the entry age normal actuarial cost method of valuation was used in determining age and service benefit liabilities and normal cost; (2) an 8% rate of return on investment of present and future assets was used based on estimated long-term yield considering (a) the nature and mix of current and expected investments; and (b) the basis used to value those assets; (3) projected salary increases are based on 4.5% raises for merit, seniority, and inflation rate allowances. Benefits will not increase after retirement except that some participants will receive cost of living allowances. Unfunded accrued liabilities are amortized over a 34 year period reduced by one year until it reaches 30.

c. Trend Information

Year ending December 31,	Annual pension cost	Percentage of annual pension cost contributed	Net pension obligation
2002	143,316	100%	
2003	128,856	100%	
2004	132,228	100%	

d. Plan Membership

As of December 31, the plan membership consisted of:

	2004	2003
Active employees	29	28
Inactive vested members	1	1
Retirees and beneficiaries currently receiving benefits	7	4
	<u>37</u>	<u>33</u>

CHARTER TOWNSHIP OF DELTA

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS

In addition to the pension benefits and deferred compensation plan described in Note 8, the Township provides post employment health care benefits to all employees who retire from the Township with a minimum ten years of service based on the schedule of shared participation rates. The Township's share of costs ranges from 25% for those employees with ten years of service to 100% for those with 25 years of service. The expense the Township incurred, which is funded currently, was approximately \$50,456 for the year ending December 31, 2004 and \$35,565 for the year ending December 31, 2003.

The Government Accounting Standards Board has recently released Statement Number 45, *Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" post employment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ended December 31, 2008.

During 2004 the Township made \$1,000,000 contribution to a trust fund to begin funding for other post employment benefits.

NOTE 10 - LIMITED OBLIGATION BONDS - ECONOMIC DEVELOPMENT CORPORATION

The Corporation acts as a liaison between companies seeking financing and financial institutions in an effort to further the economic development of the Township. In performing this function, the corporation becomes a party in the financing agreements. The resulting debt of the developer is serviced directly by the financial institution. Under the bond agreements, the liability of the corporation upon the default of the debtor, is limited to the underlying value of the property. Under these arrangements, the corporation has no additional responsibility of repayment.

At December 31, 2004 and 2003, there was no outstanding value of the long-term financing bonds receivable and bonds payable incurred in the aforementioned manner.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

The Township and its component unit are exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township and its component unit carry commercial insurance to cover any losses that may result from the above described activities. No settlements have incurred in excess of coverage in 2004 or any of the prior three years.

CHARTER TOWNSHIP OF DELTA

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - COMMITMENTS AND CONTINGENCIES (Concluded)

There are various claims and legal actions pending against the Township, many of which are either partially or fully covered by insurance. The Township is defending against these actions. In the opinion of Township management, the ultimate amount of loss, if any, resulting from these claims and legal actions will not be material to the financial position of the Township.

NOTE 12 - NATURE AND PURPOSE OF RESERVATIONS AND DESIGNATIONS OF FUND BALANCE

Reservations in the enterprise fund represent amounts set aside for debt retirement and capital improvement. The amount of the reservation is based on the excess of restricted investments over related liabilities.

Designations in the general fund exist for compensated absences, roads, drains, and the manufacturing enhancement fund. Designations for subsequent year expenditures represent special revenue fund subsequent year budget usage.

NOTE 13 - BUILDING DEPARTMENT

The Township records the results of building department operations in the general fund. In accordance with Michigan Public Act 245 of 1999, the Township is required to maintain an accounting system that separately accumulates revenues and expenditures related to the building department function. For the year ended December 31, 2004 building department revenues were \$1,000,059 and expenditures were \$963,647.

NOTE 14 - USE OF ESTIMATES

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts

REQUIRED SUPPLEMENTARY INFORMATION

CHARTER TOWNSHIP OF DELTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2004

	2004			
	Original budget	Final budget	Actual	Variance with final budget- positive (negative)
REVENUES:				
Taxes	\$ 6,599,627	\$ 6,802,627	\$ 6,785,863	\$ (16,764)
Licenses and permits	846,650	1,188,500	1,190,163	1,663
Charges for services	1,628,095	1,952,495	1,408,417	(544,078)
Investment income - net	530,500	335,500	282,370	(53,130)
Local grants	35,000	65,000	64,875	(125)
Other	388,690	406,690	420,580	13,890
State shared revenue	2,504,128	2,301,082	2,287,885	(13,197)
Federal grants	20,440	363,502	107,939	(255,563)
Total revenues	12,553,130	13,415,396	12,548,092	(867,304)
EXPENDITURES:				
Current:				
General government:				
Legislative - trustees	46,760	51,300	45,874	5,426
Manager	537,417	533,820	487,036	46,784
Assessing	378,289	373,790	354,529	19,261
Clerk	456,040	444,490	422,561	21,929
Treasurer	519,630	567,850	298,158	269,692
Computer	206,495	216,495	183,893	32,602
Township hall and grounds	381,270	384,550	336,705	47,845
General service administration	329,269	1,426,019	1,279,292	146,727
Cemetery	162,440	160,540	152,924	7,616
Planning	344,280	336,870	296,794	40,076
Total general government	3,361,890	4,495,724	3,857,766	637,958
Public safety:				
Law enforcement - police	2,186,161	2,279,661	2,279,441	220
Fire	2,203,366	2,477,022	2,154,694	322,328
Emergency operations center	11,275	11,275	8,168	3,107
Paramedics	1,658,040	1,809,040	1,648,057	160,983
Protective inspection	725,715	723,995	705,128	18,867
Total public safety	6,784,557	7,300,993	6,795,488	505,505

CHARTER TOWNSHIP OF DELTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2004

	2004			Variance with final budget- positive (negative)
	Original budget	Final budget	Actual	
EXPENDITURES (Concluded):				
Current:				
Public works:				
Recycling	\$ 117,575	\$ 117,575	\$ 96,585	\$ 20,990
Drains	288,220	275,900	168,301	107,599
Streets and highways	466,000	466,000	112,061	353,939
Engineering	585,675	577,740	551,182	26,558
Street lighting	371,193	371,193	364,249	6,944
Total public works	<u>1,828,663</u>	<u>1,808,408</u>	<u>1,292,378</u>	<u>516,030</u>
Culture and recreation:				
Parks and recreation	<u>1,147,130</u>	<u>1,214,860</u>	<u>1,157,374</u>	<u>57,486</u>
Debt service	<u>130,000</u>	<u>239,600</u>	<u>236,407</u>	<u>3,193</u>
Total expenditures	<u>13,252,240</u>	<u>15,059,585</u>	<u>13,339,413</u>	<u>1,720,172</u>
OTHER FINANCING SOURCES (USES):				
Drain assessments issued by Eaton County			24,941	24,941
Interfund transfers in	1,118,540	1,164,040	1,081,482	(82,558)
Interfund transfers out	<u>(419,430)</u>	<u>(419,430)</u>	<u>(419,430)</u>	
Total other financing sources (uses)	<u>699,110</u>	<u>744,610</u>	<u>686,993</u>	<u>(57,617)</u>
Net change in fund balances	<u>\$</u>	<u>\$ (899,579)</u>	<u>(104,328)</u>	<u>\$ 795,251</u>
FUND BALANCE:				
Beginning of year			<u>12,420,356</u>	
End of year			<u>\$ 12,316,028</u>	

**CHARTER TOWNSHIP OF DELTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEUDLE OF PENSION PLAN FUNDING PROGRESS
FOR THE UNION FIREFIGHTERS RETIREMENT PLAN**

The six year historical information required to be disclosed, beginning as of December 31, 1998, is as follows:

Actuarial valuation date	(1) Actuarial value of assets	(2) Actuarial accrued liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded ratio (1) / (2)	(5) Annual covered payroll	(6) UAAL as a % of payroll [(2) - (1)] / (5)
2001	4,136,167	4,432,288	296,121	93%	1,444,712	20%
2002	4,297,469	4,918,682	621,213	87%	1,338,091	46%
2003	4,688,962	6,166,076	1,477,114	76%	1,470,816	100%

**CHARTER TOWNSHIP OF DELTA
GENERAL FUND
BALANCE SHEETS
DECEMBER 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
ASSETS		
ASSETS:		
Cash	\$ 947,999	\$ 4,023,633
Investments	14,297,569	11,452,816
Receivables:		
Accounts	433,677	81,711
Taxes	3,283,667	3,256,113
Interest	69,304	54,683
Due from other funds	50,292	19,585
Prepaid expenditures	<u>66,880</u>	<u>106,676</u>
TOTAL ASSETS	<u><u>\$ 19,149,388</u></u>	<u><u>\$ 18,995,217</u></u>
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accounts payable	\$ 122,675	\$ 182,862
Accrued salaries and related items	236,550	208,643
Due to other funds	6,249	3,588
Customer deposits	115,309	69,310
Deferred revenue	<u>6,352,577</u>	<u>6,110,458</u>
TOTAL LIABILITIES	<u>6,833,360</u>	<u>6,574,861</u>
FUND BALANCE:		
Reserved for prepaid expenditures	66,880	106,676
Designated:		
Compensated absences	808,862	800,891
Roads	1,000,000	700,000
Drains	3,000,000	3,000,000
Retiree health insurance	250,000	1,000,000
Non-motorized transportation	300,000	100,000
MEF	190,000	190,000
Unreserved-undesignated	<u>6,700,286</u>	<u>6,522,789</u>
TOTAL FUND BALANCE	<u>12,316,028</u>	<u>12,420,356</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 19,149,388</u></u>	<u><u>\$ 18,995,217</u></u>

**CHARTER TOWNSHIP OF DELTA
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEARS ENDED DECEMBER 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
REVENUES:		
Taxes	\$ 6,785,863	\$ 6,296,342
Licenses and permits	1,190,163	977,829
Charges for services	1,408,417	1,276,998
Investment income - net	282,370	286,433
Local grants	64,875	35,000
Other	420,580	437,644
State shared revenue	2,287,885	2,506,551
Federal grants	<u>107,939</u>	<u>71,574</u>
Total revenues	<u>12,548,092</u>	<u>11,888,371</u>
EXPENDITURES:		
Current:		
General government:		
Legislative - trustees	45,874	270,521
Manager	487,036	289,316
Assessing	354,529	349,159
Clerk	422,561	319,863
Personnel		68,225
Treasurer	298,158	222,868
Computer	183,893	176,601
Township hall and grounds	336,705	325,428
General service administration	1,279,292	
Cemetery	152,924	137,868
Planning	<u>296,794</u>	<u>283,588</u>
Total general government	<u>3,857,766</u>	<u>2,443,437</u>
Public safety:		
Law enforcement - police	2,279,441	1,920,776
Fire	2,154,694	1,919,036
Emergency operations center	8,168	26,806
Paramedics	1,648,057	1,626,606
Protective inspection	<u>705,128</u>	<u>659,474</u>
Total public safety	<u>6,795,488</u>	<u>6,152,698</u>

**CHARTER TOWNSHIP OF DELTA
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEARS ENDED DECEMBER 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
EXPENDITURES (Concluded):		
Current:		
Public works:		
Recycling	\$ 96,585	\$ 131,133
Drains	168,301	150,033
Streets and highways	112,061	97,230
Engineering	551,182	527,098
Street lighting	364,249	350,977
Total public works	<u>1,292,378</u>	<u>1,256,471</u>
Culture and recreation:		
Parks and recreation	<u>1,157,374</u>	<u>1,069,501</u>
Economic development	<u></u>	<u>94,625</u>
Debt service	<u>236,407</u>	<u>237,983</u>
Total expenditures	<u>13,339,413</u>	<u>11,254,715</u>
OTHER FINANCING SOURCES (USES):		
Drain assessments issued by Eaton County	24,941	7,500
Interfund transfers from other funds	1,081,482	1,138,796
Interfund transfers to other funds	(419,430)	(441,000)
Total other financing sources (uses)	<u>686,993</u>	<u>705,296</u>
Net change in fund balance	(104,328)	1,338,952
FUND BALANCE:		
Beginning of year	<u>12,420,356</u>	<u>11,081,404</u>
End of year	<u><u>\$ 12,316,028</u></u>	<u><u>\$ 12,420,356</u></u>

CHARTER TOWNSHIP OF DELTA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO SCHEDULE OF PENSION PLAN FUNDING PROGRESS
FOR THE UNION FIREFIGHTERS RETIREMENT PLAN

- A. The Actuarial Accrued Liability was determined as part of an actuarial valuation at December 31, 2003, the most recently filed actuarial valuation report.
- B. The report was based upon the plan's actuarial assumptions described in Note 8. The asset valuation method assumes the funds earn the expected rate of return (8%), and includes an adjustment to reflect market value. For the December 31, 2003 valuation, the actuarial asset value was 109.52% of market value (\$4,281,375).
- C. The amortization method used is level percent of payroll ranging from 30 - 38 years. The payroll is assumed to increase 4.5% a year for the purpose of determining the level percent contribution.

ADDITIONAL INFORMATION

**CHARTER TOWNSHIP OF DELTA
GENERAL FUND
BALANCE SHEETS
DECEMBER 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
ASSETS		
ASSETS:		
Cash	\$ 947,999	\$ 4,023,633
Investments	14,297,569	11,452,816
Receivables:		
Accounts	433,677	81,711
Taxes	3,283,667	3,256,113
Interest	69,304	54,683
Due from other funds	50,292	19,585
Prepaid expenditures	66,880	106,676
TOTAL ASSETS	<u><u>\$ 19,149,388</u></u>	<u><u>\$ 18,995,217</u></u>
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accounts payable	\$ 122,675	\$ 182,862
Accrued salaries and related items	236,550	208,643
Due to other funds	6,249	3,588
Customer deposits	115,309	69,310
Deferred revenue	6,352,577	6,110,458
TOTAL LIABILITIES	<u>6,833,360</u>	<u>6,574,861</u>
FUND BALANCE:		
Reserved for prepaid expenditures	66,880	106,676
Designated:		
Compensated absences	808,862	800,891
Roads	1,000,000	700,000
Drains	3,000,000	3,000,000
Retiree health insurance	250,000	1,000,000
Non-motorized transportation	300,000	100,000
MEF	190,000	190,000
Unreserved-undesignated	6,700,286	6,522,789
TOTAL FUND BALANCE	<u>12,316,028</u>	<u>12,420,356</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 19,149,388</u></u>	<u><u>\$ 18,995,217</u></u>

**CHARTER TOWNSHIP OF DELTA
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEARS ENDED DECEMBER 31, 2004 AND 2003**

	2004	2003
REVENUES:		
Taxes	\$ 6,785,863	\$ 6,296,342
Licenses and permits	1,190,163	977,829
Charges for services	1,408,417	1,276,998
Investment income - net	282,370	286,433
Local grants	64,875	35,000
Other	420,580	437,644
State shared revenue	2,287,885	2,506,551
Federal grants	107,939	71,574
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Total revenues	12,548,092	11,888,371
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EXPENDITURES:		
Current:		
General government:		
Legislative - trustees	45,874	270,521
Manager	487,036	289,316
Assessing	354,529	349,159
Clerk	422,561	319,863
Personnel		68,225
Treasurer	298,158	222,868
Computer	183,893	176,601
Township hall and grounds	336,705	325,428
General service administration	1,279,292	
Cemetery	152,924	137,868
Planning	296,794	283,588
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Total general government	3,857,766	2,443,437
	<hr/>	<hr/>
Public safety:		
Law enforcement - police	2,279,441	1,920,776
Fire	2,154,694	1,919,036
Emergency operations center	8,168	26,806
Paramedics	1,648,057	1,626,606
Protective inspection	705,128	659,474
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Total public safety	6,795,488	6,152,698
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**CHARTER TOWNSHIP OF DELTA
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEARS ENDED DECEMBER 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
EXPENDITURES (Concluded):		
Current:		
Public works:		
Recycling	\$ 96,585	\$ 131,133
Drains	168,301	150,033
Streets and highways	112,061	97,230
Engineering	551,182	527,098
Street lighting	364,249	350,977
Total public works	<u>1,292,378</u>	<u>1,256,471</u>
Culture and recreation:		
Parks and recreation	<u>1,157,374</u>	<u>1,069,501</u>
Economic development	<u></u>	<u>94,625</u>
Debt service	<u>236,407</u>	<u>237,983</u>
Total expenditures	<u>13,339,413</u>	<u>11,254,715</u>
OTHER FINANCING SOURCES (USES):		
Drain assessments issued by Eaton County	24,941	7,500
Interfund transfers from other funds	1,081,482	1,138,796
Interfund transfers to other funds	(419,430)	(441,000)
Total other financing sources (uses)	<u>686,993</u>	<u>705,296</u>
Net change in fund balance	(104,328)	1,338,952
FUND BALANCE:		
Beginning of year	<u>12,420,356</u>	<u>11,081,404</u>
End of year	<u><u>\$ 12,316,028</u></u>	<u><u>\$ 12,420,356</u></u>

**CHARTER TOWNSHIP OF DELTA
2001 GENERAL OBLIGATION DEBT
SCHEDULE OF BOND AND INTEREST PAYMENT REQUIREMENTS
DECEMBER 31, 2004**

<u>Interest rate</u>	<u>Due April 1</u>	<u>Principal</u>	<u>Interest</u>		<u>Total payment requirements</u>
			<u>April 1</u>	<u>October 1</u>	
2.50	2005	\$ 700,000	\$ 39,375	\$ 30,625	\$ 770,000
2.50	2006	750,000	30,625	21,250	801,875
2.50	2007	800,000	21,250	11,250	832,500
2.50	2008	900,000	11,250		911,250
		<u>\$ 3,150,000</u>	<u>\$ 102,500</u>	<u>\$ 63,125</u>	<u>\$ 3,315,625</u>

NOTE: General obligation debt bonds dated September 18, 2001 were issued to provide funds for the construction of the central fire station under the provisions of Public Act 94. Original debt of \$4,990,000.

**CHARTER TOWNSHIP OF DELTA
SCHEDULE OF INSTALLMENT NOTE PAYABLE
YEAR ENDED DECEMBER 31, 2004**

	Fire Truck
	<hr/>
2005	\$ 81,547
2006	78,508
2007	<hr/> 265,410
	425,465
Less interest	<hr/> 45,587
	<hr/> \$ 379,878 <hr/>

CHARTER TOWNSHIP OF DELTA
SCHEDULE OF GENERAL ASSESSMENT PAYABLE
DECEMBER 31, 2004

	<u>Lazell</u>	<u>Waldo & Branches</u>	<u>Armstrong Hills</u>	<u>Clements/ Underhill</u>	<u>Meyers & Henderson</u>	<u>Edwards</u>	<u>Total</u>
2005	\$ 60,833	\$ 3,451	\$ 1,794	\$ 26,315	\$ 72,467	\$ 2,328	\$ 167,188
2006	58,661	3,322	1,721	24,779	68,415	2,885	159,783
2007	56,488	3,193	1,647	23,242	64,363	2,798	151,731
2008	54,315	3,063	1,574			2,710	61,662
2009	52,142	2,934				2,623	57,699
2010	49,970	2,804				2,537	55,311
2011	47,797	2,675				2,448	52,920
2012	45,624	2,545				2,361	50,530
2013	43,451	2,416				2,274	48,141
2014	41,279	2,287				2,187	45,753
2015						2,099	2,099
2016						2,012	2,012
2017						1,924	1,924
2018						1,837	1,837
2019						1,750	1,750
	510,560	28,690	6,736	74,336	205,245	34,773	860,340
Less interest	119,501	7,117	736	1,108	27,683	9,832	165,977
	<u>\$ 391,059</u>	<u>\$ 21,573</u>	<u>\$ 6,000</u>	<u>\$ 73,228</u>	<u>\$ 177,562</u>	<u>\$ 24,941</u>	<u>\$ 694,363</u>

Note: Drains at large consists of drains installed by Eaton County Drain Commission in which the State of Michigan, homeowner, Delta Township, and the Eaton County Drain Commission share the cost of installment. Delta Township is assessed yearly for their share of the cost plus interest on the outstanding balance. Interest rates charged to the different projects range from 4.90% to 7.02%.

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted for particular purposes.

Paramedic Fund - This fund is utilized to account for the Township's ambulance service tax levy.

Improvement Revolving Fund - The general fund transfers amounts annually to the fund which may only be utilized for capital improvements. This fund is utilized pursuant to Michigan law.

Budget Stabilization Fund - This fund is established to maintain funds the Township may need in times of budget short fall. This fund is established and limited pursuant to Michigan law.

Library Fund - The library fund is established to operate the Township library. The fund is a blended component unit.

Capital Projects Fund

Capital Projects Fund - This fund is used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Debt Service Fund

Debt Service Fund - The Township maintains a debt service fund to account for resources accumulated and payments made related to debt related to the Central Fire Station.

Permanent Fund

Cemetery Perpetual Care Fund - This fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the cemetery.

**CHARTER TOWNSHIP OF DELTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

				<u>Permanent fund</u>	
	<u>Special revenue</u>	<u>Capital projects</u>	<u>Debt service</u>	<u>Cemetery perpetual care fund</u>	<u>Total nonmajor governmental funds</u>
ASSETS					
ASSETS:					
Cash	\$ 156,140	\$ 11,079	\$ 254,686	\$ 10,277	\$ 432,182
Investments	2,358,401	167,306		155,197	2,680,904
Receivables:					
Taxes	1,206,156		755,657		1,961,813
Interest	8,881	767		712	10,360
Due from other funds	6,249				6,249
TOTAL ASSETS	<u><u>\$ 3,735,827</u></u>	<u><u>\$ 179,152</u></u>	<u><u>\$ 1,010,343</u></u>	<u><u>\$ 166,186</u></u>	<u><u>\$ 5,091,508</u></u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 16,701	\$	\$	\$	\$ 16,701
Accrued salaries and related items	613				613
Deferred revenue	1,206,156		755,657		1,961,813
TOTAL LIABILITIES	<u><u>1,223,470</u></u>		<u><u>755,657</u></u>		<u><u>1,979,127</u></u>
FUND BALANCES:					
Reserved for debt service			254,686		254,686
Reserved for perpetual care				166,186	166,186
Designated:					
Compensated absences	16,039				16,039
Subsequent years expenditures	15,000				15,000
Unreserved, undesignated	2,481,318	179,152			2,660,470
TOTAL FUND BALANCES	<u><u>2,512,357</u></u>	<u><u>179,152</u></u>	<u><u>254,686</u></u>	<u><u>166,186</u></u>	<u><u>3,112,381</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 3,735,827</u></u>	<u><u>\$ 179,152</u></u>	<u><u>\$ 1,010,343</u></u>	<u><u>\$ 166,186</u></u>	<u><u>\$ 5,091,508</u></u>

**CHARTER TOWNSHIP OF DELTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2004**

	<u>Special revenue</u>	<u>Capital projects</u>	<u>Debt service</u>	<u>Permanent fund Cemetery perpetual care fund</u>	<u>Total nonmajor governmental funds</u>
REVENUES:					
Local sources:					
Property taxes	\$	\$	\$ 762,719	\$	\$ 762,719
Paramedic levy	1,161,232				1,161,232
Investment earnings	34,347	2,615	3,698	2,280	42,940
Charges for services	141,612				141,612
Other	27,337			12,915	40,252
Total local sources	1,364,528	2,615	766,417	15,195	2,148,755
State sources	26,228				26,228
Total revenues	1,390,756	2,615	766,417	15,195	2,174,983
EXPENDITURES:					
Current:					
Culture and recreation	537,270				537,270
Debt service:					
Principal repayment			650,000		650,000
Interest expense			93,000		93,000
Capital outlay		2,274			2,274
Total expenditures	537,270	2,274	743,000		1,282,544
EXCESS OF REVENUES OVER EXPENDITURES	853,486	341	23,417	15,195	892,439
OTHER FINANCING SOURCES (USES):					
Interfund transfers from other funds	419,430				419,430
Interfund transfers to other funds	(1,079,202)			(2,280)	(1,081,482)
Total other financing sources (uses)	(659,772)			(2,280)	(662,052)
Net change in fund balances	193,714	341	23,417	12,915	230,387
FUND BALANCES:					
Beginning of year	2,318,643	178,811	231,269	153,271	2,881,994
End of year	\$ 2,512,357	\$ 179,152	\$ 254,686	\$ 166,186	\$ 3,112,381

**CHARTER TOWNSHIP OF DELTA
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2004
(with comparative totals for December 31, 2003)**

ASSETS	Paramedic fund	Improvement revolving fund	Budget stabilization fund	Library fund	Totals	
					2004	2003
Cash	\$ 48,811	\$ 69,052	\$ 27,828	\$ 10,449	\$ 156,140	\$ 604,962
Investments	737,132	1,042,805	422,172	156,292	2,358,401	1,718,835
Receivables:						
Taxes	1,206,156				1,206,156	1,161,442
Interest	3,381	4,783		717	8,881	6,622
Due from other funds				6,249	6,249	
Prepaid expenditures						488
	<u>\$ 1,995,480</u>	<u>\$ 1,116,640</u>	<u>\$ 450,000</u>	<u>\$ 173,707</u>	<u>\$ 3,735,827</u>	<u>\$ 3,492,349</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$	\$	\$	\$ 16,701	\$ 16,701	\$ 5,525
Accrued salaries and related items				613	613	477
Due to other funds						6,262
Deferred revenue	1,206,156				1,206,156	1,161,442
Total liabilities	<u>1,206,156</u>			<u>17,314</u>	<u>1,223,470</u>	<u>1,173,706</u>
Fund balances:						
Reserved for prepaid expenditures						488
Designated:						
Compensated absences				16,039	16,039	10,260
Subsequent years expenditures				15,000	15,000	15,000
Unreserved, undesignated	789,324	1,116,640	450,000	125,354	2,481,318	2,292,895
Total fund balances	<u>789,324</u>	<u>1,116,640</u>	<u>450,000</u>	<u>156,393</u>	<u>2,512,357</u>	<u>2,318,643</u>
	<u>\$ 1,995,480</u>	<u>\$ 1,116,640</u>	<u>\$ 450,000</u>	<u>\$ 173,707</u>	<u>\$ 3,735,827</u>	<u>\$ 3,492,349</u>

CHARTER TOWNSHIP OF DELTA
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2004
(with comparative totals for the year ended December 31, 2003)

	Paramedic fund	Improvement revolving fund	Budget stabilization fund	Library fund	Totals	
					2004	2003
REVENUES:						
Paramedic levy	\$ 1,161,232	\$	\$	\$	\$ 1,161,232	\$ 1,097,426
State aid				26,228	26,228	25,312
Charges for services				141,612	141,612	152,214
Investment income - net	15,993	16,060		2,294	34,347	38,293
Other				27,337	27,337	24,523
Total revenues	<u>1,177,225</u>	<u>16,060</u>		<u>197,471</u>	<u>1,390,756</u>	<u>1,337,768</u>
EXPENDITURES:						
Current:						
Culture and recreation				537,270	537,270	492,455
Excess (deficiency) of revenues over expenditures	<u>1,177,225</u>	<u>16,060</u>		<u>(339,799)</u>	<u>853,486</u>	<u>845,313</u>
OTHER FINANCING SOURCES (USES):						
Interfund transfers from other funds		95,500		323,930	419,430	441,000
Interfund transfers to other funds	(946,702)	(132,500)			(1,079,202)	(1,136,483)
Total other financing sources (uses)	<u>(946,702)</u>	<u>(37,000)</u>		<u>323,930</u>	<u>(659,772)</u>	<u>(695,483)</u>
Net change in fund balances	230,523	(20,940)		(15,869)	193,714	149,830
FUND BALANCES, beginning of year	<u>558,801</u>	<u>1,137,580</u>	<u>450,000</u>	<u>172,262</u>	<u>2,318,643</u>	<u>2,168,813</u>
FUND BALANCES, end of year	<u>\$ 789,324</u>	<u>\$ 1,116,640</u>	<u>\$ 450,000</u>	<u>\$ 156,393</u>	<u>\$ 2,512,357</u>	<u>\$ 2,318,643</u>

**CHARTER TOWNSHIP OF DELTA
BUDGETARY COMPARISON SCHEDULE
PARAMEDIC SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2004**

	Original and final budgeted amounts	Actual	Variance with final budget- positive (negative)
REVENUES:			
Taxes and special assessments	\$ 1,161,235	\$ 1,161,232	\$ (3)
Investment income - net	10,000	15,993	5,993
	<u>1,171,235</u>	<u>1,177,225</u>	<u>5,990</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers out	(1,015,310)	(946,702)	68,608
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	155,925	230,523	74,598
FUND BALANCE, beginning of year	<u>558,801</u>	<u>558,801</u>	
FUND BALANCE, end of year	<u><u>\$ 714,726</u></u>	<u><u>\$ 789,324</u></u>	<u><u>\$ 74,598</u></u>

**CHARTER TOWNSHIP OF DELTA
BUDGETARY COMPARISION SCHEDULE
IMPROVEMENT REVOLVING SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2004**

	Original and final budgeted amounts	Actual	Variance with final budget- positive (negative)
REVENUES:			
Investment income - net	\$ 15,000	\$ 16,060	\$ 1,060
OTHER FINANCING SOURCES (USES):			
Operating transfers in	95,500	95,500	
Operating transfers out	(147,540)	(132,500)	15,040
Total other financing sources (uses)	(52,040)	(37,000)	15,040
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(37,040)	(20,940)	16,100
FUND BALANCE, beginning of year	1,137,580	1,137,580	
FUND BALANCE, end of year	\$ 1,100,540	\$ 1,116,640	\$ 16,100

**CHARTER TOWNSHIP OF DELTA
BUDGETARY COMPARISON SCHEDULE
LIBRARY SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2004**

	Original and final budgeted amounts	Actual	Variance with final budget- positive (negative)
REVENUES:			
State aid	\$ 24,600	\$ 26,228	\$ 1,628
Charges for services	156,600	141,612	(14,988)
Investment income - net	2,500	2,294	(206)
Other	4,000	27,337	23,337
	<u>187,700</u>	<u>197,471</u>	<u>9,771</u>
EXPENDITURES:			
Current:			
Culture and recreation	526,630	537,270	(10,640)
	<u>(338,930)</u>	<u>(339,799)</u>	<u>(869)</u>
Excess (deficiency) of revenues over expenditures			
	<u>(338,930)</u>	<u>(339,799)</u>	<u>(869)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	323,930	323,930	
	<u>(15,000)</u>	<u>(15,869)</u>	<u>(869)</u>
Net change in fund balance			
	<u>(15,000)</u>	<u>(15,869)</u>	<u>(869)</u>
FUND BALANCE, beginning of year	<u>172,262</u>	<u>172,262</u>	
FUND BALANCE, end of year	<u><u>\$ 157,262</u></u>	<u><u>\$ 156,393</u></u>	<u><u>\$ (869)</u></u>

**CHARTER TOWNSHIP OF DELTA
CAPITAL PROJECTS FUND
BALANCE SHEETS
DECEMBER 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
ASSETS		
Cash	\$ 11,079	\$ 77,485
Investments	167,306	220,768
Interest receivable	<u>767</u>	<u>1,055</u>
	<u><u>\$ 179,152</u></u>	<u><u>\$ 299,308</u></u>
 LIABILITIES AND FUND BALANCE		
 LIABILITIES:		
Accounts payable	\$	\$ 120,497
 FUND BALANCE:		
Undesignated	<u>179,152</u>	<u>178,811</u>
	<u><u>\$ 179,152</u></u>	<u><u>\$ 299,308</u></u>

**CHARTER TOWNSHIP OF DELTA
CAPITAL PROJECTS FUND
STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEARS ENDED DECEMBER 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
REVENUES:		
Investment income-net	\$ 2,615	\$ 22,149
Other		30,000
	<u>2,615</u>	<u>52,149</u>
Total revenues		
	<u>2,615</u>	<u>52,149</u>
EXPENDITURES:		
Capital outlay-fire station construction	<u>2,274</u>	<u>2,314,511</u>
Net change in fund balance	341	(2,262,362)
FUND BALANCE, beginning of year	<u>178,811</u>	<u>2,441,173</u>
FUND BALANCE, end of year	<u><u>\$ 179,152</u></u>	<u><u>\$ 178,811</u></u>

**CHARTER TOWNSHIP OF DELTA
DEBT SERVICE FUND
CENTRAL FIRE STATION
BALANCE SHEET
DECEMBER 31, 2004 AND 2003**

ASSETS	<u>2004</u>	<u>2003</u>
Cash	\$ 254,686	\$ 231,269
Taxes receivable	<u>755,657</u>	<u>762,858</u>
	<u><u>\$ 1,010,343</u></u>	<u><u>\$ 994,127</u></u>
 LIABILITIES AND FUND BALANCE		
LIABILITIES		
Deferred revenue	\$ 755,657	\$ 762,858
FUND BALANCE		
Reserved for debt service	<u>254,686</u>	<u>231,269</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 1,010,343</u></u>	 <u><u>\$ 994,127</u></u>

**CHARTER TOWNSHIP OF DELTA
DEBT SERVICE FUND
CENTRAL FIRE STATION
STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
REVENUE:		
Taxes	\$ 762,719	\$ 853,888
Investment income-net	<u>3,698</u>	<u>3,388</u>
Total revenue	<u>766,417</u>	<u>857,276</u>
EXPENDITURES:		
Principal payments on debt	650,000	600,000
Interest and fiscal charges	<u>93,000</u>	<u>120,474</u>
Total expenditures	<u>743,000</u>	<u>720,474</u>
Excess (deficiency) of revenues over expenditures	23,417	136,802
FUND BALANCE, beginning of year	<u>231,269</u>	<u>94,467</u>
FUND BALANCE, end of year	<u><u>\$ 254,686</u></u>	<u><u>\$ 231,269</u></u>

**CHARTER TOWNSHIP OF DELTA
SEWER FUND
BALANCE SHEETS
DECEMBER 31, 2004 AND 2003**

ASSETS	<u>2004</u>	<u>2003</u>
CURRENT ASSETS:		
Cash	\$ 4,462,606	\$ 3,168,543
Investments	4,909,253	5,185,781
Receivables:		
Interest	57,079	43,104
Special assessment-current	34,246	34,705
Special assessment-interest	9,845	9,039
Other	11,516	3,272
Due from other funds		2,782,432
Prepaid insurance		14,959
	<u>9,484,545</u>	<u>11,241,835</u>
TOTAL CURRENT ASSETS		
	<u>9,484,545</u>	<u>11,241,835</u>
NONCURRENT ASSETS:		
Investments:		
Replacement account-restricted	3,896,170	3,841,767
Deferred charges:		
Tap in charges - deferred	315,660	249,715
Unamortized bond issuance costs	45,184	48,949
Special assessment-deferred	61,149	94,704
	<u>4,318,163</u>	<u>4,235,135</u>
TOTAL NONCURRENT ASSETS		
	<u>4,318,163</u>	<u>4,235,135</u>
PROPERTY, PLANT, AND EQUIPMENT, net of accumulated depreciation		
	<u>32,274,537</u>	<u>31,301,429</u>
	<u><u>\$ 46,077,245</u></u>	<u><u>\$ 46,778,399</u></u>

LIABILITIES AND NET ASSETS	2004	2003
CURRENT LIABILITIES:		
Accounts payable	\$ 32,395	\$ 257,118
Accrued payroll taxes	6,048	10,675
Accrued interest	16,625	17,176
Customer deposits	86,156	86,156
Current portion of long-term liabilities	160,475	165,375
Current portion of compensated absences	153,799	153,799
Contract retainers payable		48,353
Due to other funds	35,994	
TOTAL CURRENT LIABILITIES	491,492	738,652
LONG-TERM LIABILITIES, net of current portion:		
Compensated absences	95,381	92,553
Unamortized bond premiums	104,515	113,225
General obligation bonds payable	2,436,525	2,597,000
TOTAL LONG-TERM LIABILITIES	2,636,421	2,802,778
TOTAL LIABILITIES	3,127,913	3,541,430
NET ASSETS:		
Invested in capital assets net of related debt	29,618,206	28,474,778
Restricted for capital outlay	3,896,170	3,841,767
Unrestricted	9,434,956	10,920,424
TOTAL NET ASSETS	42,949,332	43,236,969
	\$ 46,077,245	\$ 46,778,399

**CHARTER TOWNSHIP OF DELTA
SEWER FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2004**

	<u>2004</u>	<u>2003</u>
OPERATING REVENUES:		
Charges for services	\$ 2,603,353	\$ 2,290,825
Capital charges	356,908	269,061
Forfeited discounts	31,602	30,001
Other	<u>13,147</u>	<u>11,492</u>
Total operating revenues	3,005,010	2,601,379
OPERATING EXPENSES:		
Costs of sales and services	2,812,037	2,725,315
Depreciation	<u>1,675,437</u>	<u>1,610,811</u>
Total operating expenses	<u>4,487,474</u>	<u>4,336,126</u>
Operating loss	<u>(1,482,464)</u>	<u>(1,734,747)</u>
NON-OPERATING REVENUES (EXPENSES):		
Contributions-infrastructure	1,054,725	150,521
Main charges	18,802	32,967
Investment income - net	217,237	236,689
Interest and fiscal charges	(100,882)	(64,983)
Bond issuance cost	(3,765)	
Bond premium	<u>8,710</u>	
Total non-operating revenues - net	<u>1,194,827</u>	<u>355,194</u>
Net loss	(287,637)	(1,379,553)
NET ASSETS, beginning of year	<u>43,236,969</u>	<u>44,616,522</u>
NET ASSETS, end of year	<u><u>\$ 42,949,332</u></u>	<u><u>\$ 43,236,969</u></u>

**CHARTER TOWNSHIP OF DELTA
SEWER FUND
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2004**

	2004	2003
INCREASE (DECREASE) IN CASH:		
Cash flows from operating activities:		
Operating loss	\$ (1,482,464)	\$ (1,734,747)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	1,675,437	1,610,811
Receivables		7,602
Prepaid insurance	14,959	(1,408)
Due to/from other funds - net	2,818,426	(2,821,498)
Accounts payable	(229,350)	225,398
Accrued compensated absences	2,828	29,764
Customer deposits		(5,100)
Contract retainers payable	(48,353)	48,353
Total adjustments	4,233,947	(906,078)
Net cash provided (used) by operating activities	2,751,483	(2,640,825)
Cash flows from non-capital financing activities:		
Contributions	1,054,725	
Main and tap in charges	(47,143)	55,150
Net cash provided by non-capital financing activities	1,007,582	55,150
Cash flows for capital and related financing activities:		
Principal repayments on debt	(165,375)	
Net interest earned (paid) on bonds	(101,433)	
Payments for capital acquisitions	(2,648,545)	(1,712,907)
Proceeds from special assessments	25,770	(902)
Interest received from special assessments	30,298	30,134
Unamortized bond premiums		113,225
Proceeds from the sale of bonds		2,762,375
Net cash provided (used) by capital and related financing activities	(2,859,285)	1,191,925
Cash flows from investing activities:		
Interest received from investments	172,158	219,412
Purchase/proceeds of investments	222,125	2,905,103
Net cash provided by investing activities	394,283	3,124,515
NET INCREASE IN CASH	1,294,063	1,730,765
CASH:		
Beginning of year	3,168,543	1,437,778
End of year	\$ 4,462,606	\$ 3,168,543

**CHARTER TOWNSHIP OF DELTA
SEWER FUND
SCHEDULES OF OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2004**

	<u>2004</u>	<u>2003</u>
Salaries and wages	\$ 1,085,110	\$ 1,060,148
Payroll taxes	82,608	78,140
Employee fringe benefits	269,468	255,438
Pension expense	123,778	114,815
Office supplies	34,461	15,845
Chemicals	136,344	140,294
Supplies	29,217	37,794
Maintenance of plant	44,019	55,311
Maintenance of equipment	195,829	163,561
Accounting and auditing	142,686	126,836
Administrative fees	100,000	100,000
Contracted services	72,110	83,877
Engineering	38,068	58,114
Collection fees	551	600
Telephone	9,049	7,078
Transportation	14,825	12,735
Insurance	210,159	222,327
Utilities	195,368	185,641
Miscellaneous	<u>28,387</u>	<u>6,761</u>
	<u><u>\$ 2,812,037</u></u>	<u><u>\$ 2,725,315</u></u>

**CHARTER TOWNSHIP OF DELTA
SEWER FUND
SCHEDULE OF GENERAL OBLIGATION LIMITED TAX BOND
AND INTEREST PAYMENT REQUIREMENTS
DECEMBER 31, 2004**

Delta Township Bonds
General Obligation Limited Tax Bonds

Year	Interest rate	Principal due May 1	Interest May 1	Interest November 1	Total	Total principal and interest requirements
2005	2.000 %	\$ 160,475	\$ 49,874	\$ 48,270	\$ 98,144	\$ 258,619
2006	2.125 %	183,750	48,270	46,317	94,587	278,337
2007	2.500 %	180,075	46,317	44,066	90,383	270,458
2008	3.000 %	178,850	44,066	41,384	85,450	264,300
2009	3.250 %	203,350	41,384	38,079	79,463	282,813
2010	3.500 %	200,900	38,079	34,563	72,642	273,542
2011	3.750 %	225,400	34,563	30,337	64,900	290,300
2012	3.875 %	225,400	30,337	25,970	56,307	281,707
2013	5.000 %	248,675	25,970	19,753	45,723	294,398
2014	5.000 %	252,350	19,753	13,444	33,197	285,547
2015	5.000 %	268,275	13,444	6,738	20,182	288,457
2016	5.000 %	269,500	6,738		6,738	276,238
		<u>\$ 2,597,000</u>	<u>\$ 398,795</u>	<u>\$ 348,921</u>	<u>\$ 747,716</u>	<u>\$ 3,344,716</u>

NOTE: The general obligation limited tax bonds were issued by The Charter Township of Delta on April 24, 2003 for the purpose of construction of sewer projects. Original amount was \$2,762,375.

**CHARTER TOWNSHIP OF DELTA
WATER FUND
BALANCE SHEETS
DECEMBER 31, 2004**

ASSETS	<u>2004</u>	<u>2003</u>
CURRENT ASSETS:		
Cash	\$ 377,762	\$ 934,018
Investments	5,814,808	7,436,773
Receivables:		
Customer accounts	465,767	422,842
Interest	33,953	35,508
Special assessment-current	65,258	66,834
Special assessment-interest	17,586	20,837
Other	107,661	152,430
Current portion of long-term receivable	10,058	10,215
Prepaid insurance	<u>7,842</u>	<u>7,842</u>
TOTAL CURRENT ASSETS	<u>6,892,853</u>	<u>9,087,299</u>
NONCURRENT ASSETS:		
Investments:		
Replacement account	1,699,881	1,676,146
Deferred charges:		
Water tap charges - deferred	187,676	166,330
Unamortized bond issuance costs	391,235	422,321
Special assessments - deferred	495,704	643,532
Long-term receivable	<u>473,652</u>	<u>483,710</u>
TOTAL NONCURRENT ASSETS	<u>3,248,148</u>	<u>3,392,039</u>
PROPERTY, PLANT AND EQUIPMENT,		
less accumulated depreciation	<u>23,119,104</u>	<u>22,240,633</u>
	<u><u>\$ 33,260,105</u></u>	<u><u>\$ 34,719,971</u></u>

LIABILITIES AND NET ASSETS	2004	2003
CURRENT LIABILITIES:		
Accounts payable	\$ 84,380	\$ 16,074
Accrued payroll, taxes and withholdings	1,094	914
Accrued interest	85,921	88,243
Customer deposits	44,147	47,994
Current portion of long-term liabilities	619,525	584,625
Current portion of compensated absences	18,133	16,935
Contract retainers payable		28,372
Due to other funds	14,298	2,792,167
TOTAL CURRENT LIABILITIES	867,498	3,575,324
LONG-TERM LIABILITIES , net of current portion:		
Compensated absences	13,966	11,846
Unamortized bond premiums	322,131	348,976
Revenue bonds payable	3,600,000	3,725,000
General obligation bonds payable	7,508,475	8,003,000
TOTAL LONG-TERM LIABILITIES	11,444,572	12,088,822
TOTAL LIABILITIES	12,312,070	15,664,146
NET ASSETS:		
Invested in capital assets net of related debt	11,460,208	10,001,353
Unreserved	9,487,827	9,054,472
TOTAL NET ASSETS	20,948,035	19,055,825
	\$ 33,260,105	\$ 34,719,971

**CHARTER TOWNSHIP OF DELTA
WATER FUND
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2004**

	<u>2004</u>	<u>2003</u>
OPERATING REVENUES:		
Charges for services	\$ 3,171,067	\$ 3,157,537
Capital charges	258,015	237,723
Hydrant rental	123,200	115,430
Forfeited discounts	36,567	38,907
Other service charges	157,085	236,397
Other	<u>32,682</u>	<u>28,652</u>
Total operating revenues	<u>3,778,616</u>	<u>3,814,646</u>
OPERATING EXPENSES:		
Costs of sales and services	2,324,247	2,311,404
Depreciation	<u>613,431</u>	<u>552,846</u>
Total operating expenses	<u>2,937,678</u>	<u>2,864,250</u>
Operating income	<u>840,938</u>	<u>950,396</u>
NON-OPERATING REVENUES (EXPENSES):		
Contributions-infrastructure	1,299,979	503,144
Main charges	66,007	51,351
Investment income - net	211,661	211,462
Interest and fiscal charges	(522,133)	(730,812)
Bond issuance cost	(31,086)	(12,615)
Bond premium	<u>26,844</u>	<u></u>
Total non-operating revenues (expenses) - net	<u>1,051,272</u>	<u>22,530</u>
Net income	1,892,210	972,926
NET ASSETS, beginning of year	<u>19,055,825</u>	<u>18,082,899</u>
NET ASSETS, end of year	<u><u>\$ 20,948,035</u></u>	<u><u>\$ 19,055,825</u></u>

**CHARTER TOWNSHIP OF DELTA
WATER FUND
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2004**

	2004	2003
INCREASE (DECREASE) IN CASH:		
Cash flows from operating activities:		
Operating income	\$ 840,938	\$ 950,396
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	613,431	552,846
Receivables	12,058	(62,574)
Prepaid insurance	7,842	(135)
Due to/from other funds - net	(2,777,869)	2,773,460
Accounts payable	68,486	9,404
Accrued compensated absences	3,318	(10,781)
Customer deposits	(3,847)	(30,716)
Contract retainers payable	(28,372)	(25,680)
Total adjustments	(2,104,953)	3,205,824
Net cash provided (used) by operating activities	(1,264,015)	4,156,220
Cash flows from non-capital financing activities:		
Contributions	1,299,979	503,144
Main and tap in charges	44,661	68,917
Net cash provided by non-capital financing activities	1,344,640	572,061
Cash flows from capital and related financing activities:		
Principal repayments on debt	(584,625)	(75,000)
Net interest earned (paid) on bonds	(524,455)	(750,671)
Payments for capital acquisitions	(1,491,901)	(1,472,747)
Proceeds from special assessments	149,404	42,922
Interest received from special assessments	70,747	74,625
Unamortized bond premiums		348,976
Proceeds from sale of bonds		8,512,625
Payments for Eaton County capital lease		(8,500,000)
Net cash used by capital and related financing activities	(2,380,830)	(1,819,270)
Cash flows from investing activities:		
Interest received from investments	145,720	134,173
Proceeds (purchase) of investments	1,598,230	(2,862,481)
Net cash provided (used) by investing activities	1,743,950	(2,728,308)
NET INCREASE (DECREASE) IN CASH	(556,255)	180,703
CASH:		
Beginning of year	934,017	753,314
End of year	\$ 377,762	\$ 934,017

**CHARTER TOWNSHIP OF DELTA
WATER FUND
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED DECEMBER 31, 2004**

	<u>2004</u>	<u>2003</u>
Salaries and wages	\$ 402,542	\$ 402,481
Payroll taxes	30,816	31,729
Employee fringe benefits	111,334	109,497
Pension expense	43,985	44,031
Office supplies	11,692	9,419
Supplies	161,327	146,551
Water purchases	950,028	965,283
Maintenance of plant	66,952	57,577
Maintenance of equipment	35,446	39,047
Transportation	14,327	15,536
Administrative	100,000	100,000
Accounting and auditing	139,229	123,362
Contracted services	110,806	149,784
Engineering	54,566	60,645
Collection fees	198	199
Telephone	8,285	6,725
Insurance	39,587	15,390
Utilities	19,426	20,517
Miscellaneous	23,701	13,631
	<u>\$ 2,324,247</u>	<u>\$ 2,311,404</u>

CHARTER TOWNSHIP OF DELTA
WATER FUND
SCHEDULE OF GENERAL OBLIGATION LIMITED TAX BOND
AND INTEREST PAYMENT REQUIREMENTS
DECEMBER 31, 2004

Charter Township of Delta Bonds
General Obligation Limited Tax Bonds

Year	Interest rate	Principal due May 1	Interest May 1	Interest November 1	Total	Total principal and interest requirements
2005	2.000 %	\$ 494,525	\$ 153,694	\$ 148,749	\$ 302,443	\$ 796,968
2006	2.125 %	566,250	148,749	142,733	291,482	857,732
2007	2.500 %	554,925	142,733	135,796	278,529	833,454
2008	3.000 %	551,150	135,796	127,529	263,325	814,475
2009	3.250 %	626,650	127,529	117,346	244,875	871,525
2010	3.500 %	619,100	117,346	106,512	223,858	842,958
2011	3.750 %	694,600	106,512	93,488	200,000	894,600
2012	3.875 %	694,600	93,488	80,030	173,518	868,118
2013	5.000 %	766,325	80,030	60,872	140,902	907,227
2014	5.000 %	777,650	60,872	41,431	102,303	879,953
2015	5.000 %	826,725	41,431	20,763	62,194	888,919
2016	5.000 %	830,500	20,763		20,763	851,263
		<u>\$ 8,003,000</u>	<u>\$ 1,228,943</u>	<u>\$ 1,075,249</u>	<u>\$ 2,304,192</u>	<u>\$ 10,307,192</u>

NOTE: The general obligation limited tax bonds were issued by Charter Township of Delta on April 24, 2003 for the purpose of refinancing the bonds Eaton County issued on behalf of the Township. The excess proceeds, after refinancing, was used for water construction projects. Original amount was \$8,512,625.

CHARTER TOWNSHIP OF DELTA
WATER FUND
SCHEDULE OF BOND AND INTEREST PAYMENT REQUIREMENTS
DECEMBER 31, 2004

Michigan Municipal Bond Authority
Water Supply System Revenue Bonds - 2000A

Interest rate	Due November 1	Principal	Interest		Total payment requirements
			May 1	November 1	
5.10	2005	\$ 75,000	\$ 51,094	\$ 51,094	\$ 177,188
5.15	2006	75,000	49,181	49,181	173,362
5.20	2007	75,000	47,250	47,250	169,500
5.25	2008	75,000	45,300	45,300	165,600
5.35	2009	100,000	43,331	43,331	186,662
5.40	2010	100,000	40,656	40,657	181,313
5.45	2011	100,000	37,956	37,956	175,912
5.55	2012	100,000	35,231	35,232	170,463
5.60	2013	100,000	32,456	32,456	164,912
5.70	2014	125,000	29,656	29,657	184,313
5.75	2015	125,000	26,094	26,094	177,188
6.00	2016	125,000	22,500	22,500	170,000
6.00	2017	150,000	18,750	18,750	187,500
6.00	2018	150,000	14,250	14,250	178,500
6.00	2019	150,000	9,750	9,750	169,500
6.00	2020	175,000	5,250	5,250	185,500
		<u>\$ 1,800,000</u>	<u>\$ 508,705</u>	<u>\$ 508,708</u>	<u>\$ 2,817,413</u>

NOTE: Revenue bonds dated May 17, 2000 were issued to provide acquisition and construction of improvements and extensions to the Township's water supply systems under the provisions of Public Act 94. Original debt of \$2,000,000.

CHARTER TOWNSHIP OF DELTA
WATER FUND
SCHEDULE OF BOND AND INTEREST PAYMENT REQUIREMENTS
DECEMBER 31, 2004

Michigan Municipal Bond Authority
Water Supply System Revenue Bonds - 2000B

Interest rate	Due November 1	Principal	Interest		Total payment requirements
			May 1	November 1	
4.90	2005	\$ 50,000	\$ 52,975	\$ 52,975	\$ 155,950
4.95	2006	50,000	51,750	51,750	153,500
5.00	2007	50,000	50,512	50,512	151,024
5.05	2008	75,000	49,262	49,262	173,524
5.10	2009	75,000	47,369	47,369	169,738
5.10	2010	75,000	45,456	45,456	165,912
5.20	2011	100,000	43,544	43,544	187,088
5.30	2012	100,000	40,944	40,944	181,888
5.40	2013	100,000	38,294	38,294	176,588
5.45	2014	125,000	35,594	35,594	196,188
5.50	2015	125,000	32,187	32,187	189,374
5.75	2016	175,000	28,750	28,750	232,500
5.75	2017	175,000	23,719	23,719	222,438
5.75	2018	200,000	18,687	18,687	237,374
5.75	2019	225,000	12,938	12,938	250,876
5.75	2020	225,000	6,469	6,469	237,938
		<u>\$ 1,925,000</u>	<u>\$ 578,450</u>	<u>\$ 578,450</u>	<u>\$ 3,081,900</u>

NOTE: Revenue bonds dated November 28, 2000 were issued to provide acquisition and construction of improvements and extensions to the Township's water supply system under the provisions of Public Act 94. Original debt of \$2,000,000.

**CHARTER TOWNSHIP OF DELTA
FIDUCIARY FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2004
(With comparative totals for December 31, 2003)**

	Pension trust fund	Other post employment benefit trust fund	Agency fund	Totals	
	Employee retirement	Retiree health benefits	Tax collection fund	2004	2003
ASSETS					
Cash	\$	\$	\$ 308,737	\$ 308,737	\$ 1,266,012
Investments	17,112,293	1,000,000	4,662,433	22,774,726	19,041,666
Taxes receivable - delinquent			482,215	482,215	770,520
Interest receivable			21,386	21,386	17,224
TOTAL ASSETS	<u>\$ 17,112,293</u>	<u>\$ 1,000,000</u>	<u>\$ 5,474,771</u>	<u>\$ 23,587,064</u>	<u>\$ 21,095,422</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Undistributed tax collections:					
Current	\$	\$	\$ 4,989,771	\$ 4,989,771	\$ 4,876,303
Delinquent and other			485,000	485,000	784,529
Total liabilities			5,474,771	5,474,771	5,660,832
Fund balances - reserved for retirement	17,112,293	1,000,000		18,112,293	15,434,590
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 17,112,293</u>	<u>\$ 1,000,000</u>	<u>\$ 5,474,771</u>	<u>\$ 23,587,064</u>	<u>\$ 21,095,422</u>

**CHARTER TOWNSHIP OF DELTA
AGENCY FUND
TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED DECEMBER 31, 2004**

	Balance January 1, 2004	Additions	Deletions	Balance December 31, 2004
ASSETS				
Cash	\$ 1,266,012	\$	\$ 957,275	\$ 308,737
Investments	3,607,076	56,316,927	55,261,570	4,662,433
Taxes receivable delinquent	770,520	335,398	623,703	482,215
Interest receivable	17,224	4,162		21,386
	<u>\$ 5,660,832</u>	<u>\$ 56,656,487</u>	<u>\$ 56,842,548</u>	<u>\$ 5,474,771</u>
LIABILITIES				
Undistributed tax collections:				
Current	\$ 4,876,303	\$ 49,446,868	\$ 49,333,400	\$ 4,989,771
Delinquent and other	784,529		299,529	485,000
	<u>\$ 5,660,832</u>	<u>\$ 49,446,868</u>	<u>\$ 49,632,929</u>	<u>\$ 5,474,771</u>



Lamonte T. Lator
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Steven B. Robbins
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James R. Dedyne

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Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

March 11, 2005

To the Board of Trustees
Charter Township of Delta
Lansing, Michigan

In planning and performing our audit of the financial statements of Charter Township of Delta for the year ended December 31, 2004, we considered the Township's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments and suggestions regarding those matters follow. This letter does not affect our report dated March 11, 2005, on the financial statements of Charter Township of Delta.

Government Accounting Standards Board (GASB) Statement #40

"Deposit and Investment Risk Disclosures"

Effective for 2005, governmental entities will be required to expand their current disclosure requirements addressing common risks of the deposits and investments. The disclosure requirements apply to debt and an equity investment held directly by the entity or indirectly by investment advisors and requires that a governmental entity disclose investment policies that are related to custodial credit risk, custodial risk, concentration of credit risk, interest rate risk, and foreign currency risk. If the entity has adopted no policy with respect to a particular risk, that fact should be part of the disclosure.

The Township should review its investment policies to determine all common risks areas are identified and the appropriate level of risk of each area is quantified.

GASBs 43 and 45 - Other Postemployment Benefit (OPEB) Plans

GASB 43, which establishes uniform financial reporting standards for other postemployment plans included in the financial statements of employers is effective for the Township year ended December 31, 2007.

GASB 45 establishes standards for measurement, recognition and display of OPEB expense and related liabilities and disclosures. This GASB is effective for the Township's year ended December 31, 2008.

Budget Compliance

We observed that actual expenditures exceeded the budgeted amount by \$10,640 in a special revenue fund. Although the amount is relatively small and we believe the Township's budgeting policies and procedures are operating in proper manner, the Township should monitor the budget variances and amend the budget when necessary to comply with Public Act 621. Please keep in mind that budget adjustments should be made before expenditures are actually made.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

To the Board of Trustees
Charter Township of Delta
Lansing, Michigan

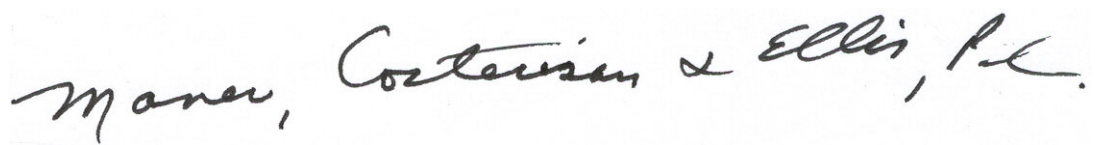
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March 11, 2005

This report is intended solely for the information and use of Charter Township of Delta, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

A handwritten signature in black ink that reads "Maner, Costantino & Ellis, P.C." The signature is written in a cursive, flowing style.



Lamonte T. Lator
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March 11, 2005

To the Finance Committee
Charter Township of Delta
Lansing, Michigan

We have audited the financial statements of Charter Township of Delta for the year ended December 31, 2004, and have issued our report thereon dated March 11, 2005. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated March 11, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Charter Township of Delta. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Charter Township of Delta's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Charter Township of Delta are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2004. We noted no transactions entered into by Charter Township of Delta during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were estimated fixed assets lives for depreciation and the allocation of expenses among the various funds.

4. Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Charter Township of Delta's financial reporting process (that is, cause future financial statements to be materially misstated). A summary of significant entries is attached.

5. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

6. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Charter Township of Delta's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

8. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

To the Finance Committee
Charter Township of Delta
Lansing, Michigan

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March 11, 2005

This information is intended solely for the use of the Finance Committee, and management of Charter Township of Delta and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Maner, Costeusan & Ellis, P.C.

SIGNIFICANT ENTRIES ATTACHMENT

	Income (expense) effect
General fund	
Current year administration fee for tax collection	\$ 540,000
Prior year administration fee for tax collection	(507,000)
State revenue sharing receivable	<u>395,000</u>
Total general fund	<u>428,000</u>
Enterprise funds	
Record depreciation	(2,288,000)
Capitalize fixed assets	1,573,000
Bond activity	478,000
Record contributions	<u>2,354,000</u>
Total enterprise funds	<u>2,117,000</u>
	<u><u>\$ 2,545,000</u></u>

GASB #34 journal entries are included in the financial statements